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U.S. Department of Agriculture

VOL. 3

1975 BUDGET EXPLANATORY NOTES

MAR 19 1975

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RURAL DEVELOPMENT SERVICE

Purpose Statement

The Rural Development Service was established by Secretary's Memorandum No. 1730, Supplement 1, dated September 3, 1971. The central responsibility of the Rural Development Service is expressed in Section 603 of the Rural Development Act which directs that the Secretary of Agriculture assumes responsibility for coordinating a nationwide rural development program utilizing the services of all departments and agencies in the executive branch and the Departmental and field agencies and offices of the U. S. Department of Agriculture in coordination with state and local government rural development programs.

The basic method to be used by RDS to accomplish its mission is through a coordination function. This function will be accomplished by -

- identifying Federal programs operating in rural areas
- making other Federal agencies aware of the Department's rural development responsibility and working with them to make their services more available to rural areas.
- working with USDA agencies and Federal Regional Councils to eliminate overlap and duplication and improve communication.

During FY 1973, the Economic Development Division of the Economic Research Service was transferred to the Rural Development Service. As of December 4, 1973, a major part of this Division was transferred back to the Economic Research Service.

At present, all RDS staff is located at Washington, D. C. A proposed fiscal year 1974 supplemental appropriation would provide staff assistants for the Federal Regional Councils at New York, Boston, Chicago, Atlanta, Denver, San Francisco, Seattle, Dallas, Kansas City, and Philadelphia.

Available Funds and Man-Years
1973 and Estimated, 1974 and 1975

Item	Actual		Estimated		Budget Estimate	
	1973		1974		1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Rural Development Service	\$595,000	9	\$881,000	32	\$1,300,000	41
Deduct allotments to other agency	-25,000	-2	-25,000	-2	-25,000	-1
Total, Rural Development Service:	570,000	7	856,000	30	1,275,000	40

	<u>1973</u> <u>Actual</u>	<u>1974</u> <u>Estimated</u>	<u>1975</u> <u>Estimated</u>
End-of-Year Employment:			
Permanent full-time	6	29	39
Other	3	1	1
Total	<u>9</u>	<u>30</u>	<u>40</u>

RURAL DEVELOPMENT SERVICE

Appropriation Act, 1974	\$2,661,000
Budget Estimate, 1975	<u>1,300,000</u>
Decrease in Appropriation	<u>1,361,000</u>

Adjustments in 1974:

Appropriation Act, 1974	\$2,661,000	
Transfer of information activities from OMS a/	+65,000	
Transfer of research division to ERS b/	-2,003,000	
Transfer in the estimates from the Farmers Home Administration c/	+130,000	
Proposed supplemental for pay costs	+28,000	
Adjusted base for 1975		881,000
Budget Estimate, 1975		<u>1,300,000</u>
Increase over adjusted 1974		<u>+419,000</u>

a/ On July 1, 1973, a portion of the information function of the Office of Management Services was transferred from that Office to the Rural Development Service.

b/ On December 4, 1973, the economic research functions of Rural Development Service were transferred back to the Economic Research Service.

c/ The 1975 estimates propose the transfer of \$130,000 from the Farmers Home Administration to the Rural Development Service for support of the Department's technical services for nonmetropolitan planning districts. The Rural Development Service would assume the leadership and coordination responsibility, previously that of the Farmers Home Administration, in administering the responsibilities of the Secretary of Agriculture in accordance with Section 701 of the Housing Act of 1954, as amended.

SUMMARY OF INCREASES (On basis of adjusted appropriation)

	1974	Increases	1975 Estimate
Rural development coordination	\$853,000	+\$340,000	\$1,193,000
GSA space rental costs	---	+58,000	58,000
Annualization of the pay cost increase effective in FY 1974	28,000	+21,000	49,000
Total available	<u>881,000</u>	<u>+419,000</u>	<u>1,300,000</u>

PROJECT STATEMENT (On basis of adjusted appropriation)

Project	1973	1974 (estimated)	1975 Increase:(estimated)
1. Program coordination and direction ...	\$589,802	\$881,000	+\$419,000:(1):\$1,300,000
Unobligated balance	5,198	---	---
Total available or estimate	<u>595,000</u>	<u>881,000</u>	<u>+419,000: 1,300,000</u>
Transfer of research division to ERS	---	+2,003,000	:
Transfer of information activities from OMS	-65,000	-65,000	:
Transfer in the estimates from Farmers Home Administration	-130,000	-130,000	:
Proposed supplemental for pay costs	---	-28,000	:
Total, appropriation	<u>400,000</u>	<u>2,661,000</u>	:

EXPLANATION OF PROGRAM

The Rural Development Service was established by Secretary's Memorandum No. 1730, dated May 13, 1971 and Supplement No. 1, dated September 3, 1971. It provides coordination and planning services for the programs of the Department and other departments and agencies of the Federal government that can be brought to bear on the problems of development in rural areas. It also assists the Secretary in carrying out his responsibilities in response to the coordination requirements of the Rural Development Act. The Rural Development Service prepares regulations to implement portions of the Rural Development Act of 1972, conducts regional rural development conferences to propose and discuss roles and working relationships in rural development, conducts rural development leadership schools in order to offer a comprehensive learning experience to lay leaders in rural America who have had little or no formal training in rural development principles, and answers many requests from the public, Congress and other departments and agencies in the Federal government.

JUSTIFICATION OF INCREASES

- (1) An increase of \$419,000 for rural development coordination consisting of:
 - (a) An increase for GSA space rental costs of \$58,000.
 - (b) An increase for the annualization of pay cost increases effective in FY 1974 of \$21,000.
 - (c) An increase for assistants to the Federal Regional Councils of \$340,000.

Need for Increase: The Rural Development Act directs the Secretary to provide leadership within the Executive Branch with express regard to the coordination of a nationwide rural development program involving the resources and services of Federal departments and agencies, and with further regard to the rural development programs of state and local governments. The discharge of this responsibility requires the development of cooperative proceedings that will insure that the benefits of all applicable Federal programs are made available and responsive to the developmental needs of rural America. It must also be undertaken in a manner that is understanding and sensitive to programs and developmental considerations at the state and substate levels. Since the Federal Regional Councils represent the primary link between many Federal departments and states, the rural development leadership and coordination must be focused on the Councils. This increase would provide staff support to the USDA Federal Regional Council representatives, including assigning a full-time professional staff member to each Federal Regional Council to provide staff assistance to the USDA Secretarial representative.

Plan of Work: This increase will be used to provide funds for staff support to the Federal Regional Councils to help in coordinating Federal Rural Development field activities.

STATUS OF PROGRAM

The Rural Development Service was established to help improve opportunities for people who live in rural America. Its mission is to help Federal agencies extend their programs and services to all rural areas. The Service also assists and encourages other organizations and people involved in rural development efforts.

The Service is responsible for providing leadership at the Washington level; formulating plans to help extend the programs of other Federal agencies into rural areas; and providing staff assistance to the Secretary of Agriculture in coordinating and expediting the Department's effort to help build a better rural America.

SELECTED EXAMPLES OF SIGNIFICANT ACCOMPLISHMENTS:

1. Rural Development Act of 1972

The Rural Development Service helped prepare testimony and informational material for the rural development oversight committees. Several U.S. Senators and Representatives were briefed on rural development problems and issues.

2. Regulations to implement portions of the Rural Development Act of 1972

Regulations to implement portions of the Rural Development Act of 1972 were printed in the Federal Register on October 18, 1973. Five thousand copies of these regulations were distributed within the first month of publication.

3. State Rural Development Committees

A series of four regional rural development conferences was held to bring together State Rural Development Committees, Federal Regional Council representatives, and representatives of state government. The purpose of these conferences was to propose and discuss roles and working relationships in rural development. The net result of these conferences and other actions will be to increase the effectiveness of State Rural Development Committees.

4. Rural Development Reports

The Rural Development Service prepared reports to Congress on "Information and Technical Assistance Delivered by USDA" pursuant to Title IX of the Agriculture Act of 1970.

5. National Rural Development Leaders School

The NRDLs was developed by the Rural Development Service and is a week-long educational and motivational course in the process of rural development. The purpose of the school is to offer a comprehensive learning experience to lay leaders in rural America who heretofore have had little or no formal training in rural development principles. Many persons who have leadership roles in rural America are ill-prepared for the decisionmaking responsibilities they face. The course represents a small investment in this leadership in hopes they will act in their own communities to spread the concepts of development.

The first course was held August 5-11 at the University of Nebraska, Lincoln. One hundred twenty-three persons from 42 states participated in the course which is a combination of lecture-discussion and active group problem solving activities. Most of these people were local leaders although 17 were Federal employees, 24 state employees and 8 represented national organizations.

The Lincoln effort was quite successful in its purpose and after a thorough evaluation, two additional offerings of a refined course are being planned for this fiscal year.

6. Requests for Information

As a regular practice, The Rural Development Service Information Staff answers public and congressional requests for information and publications. Hundreds of letter and phone requests have been handled since the information staff was established. During the same period, thousands of publications have been distributed.

7. Federal Agency Coordination

An initial survey of Federal programs applicable to rural development has been completed. Evaluation of Federal programs applicable to rural development is underway. Initial contacts have been established with more than 90 key officials in policymaking and program administration. Eighty-five percent of all Federal departments, independent agencies and commissions administering major programs applicable to rural development have been contacted.

8. Rural Development Program Representation

The Rural Development Service is the focal point within USDA for overall rural development program representation. During fiscal year 1973, Rural Development Service staff participated and furnished primary inputs to over 100 organizational meetings concerned with rural development. The National Governors Conference, Conference of Regional Councils, Federal Regional Conferences, National Association of State Departments of Agriculture, Federal agency meetings and farm organizations are examples of such organizations.

Estimated obligations for FY 1974 are estimated at \$751,000 and 30 man-years. The entire amount will be obligated in the District of Columbia.

RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

Rural Electrification Administration

The Rural Electrification Administration was established by Executive Order 7037 on May 11, 1935, to make loans for the extension of central station electric service to unserved rural people. Statutory provision for the agency was made in the Rural Electrification Act of May 20, 1936. REA became a part of the Department of Agriculture on July 1, 1939, under Reorganization Plan II. On October 28, 1949, Public Law 423 amended the Act to authorize loans for the furnishing of rural telephone service.

Through calendar year 1972, REA made direct loans for electric and telephone construction on a self-liquidating basis for periods not exceeding 35 years at a statutory two percent interest rate. Loans were also made for shorter periods at two percent interest to electric borrowers for wiring premises and the acquisition and installation of electrical and plumbing appliances and equipment.

Effective January 1, 1973, the REA direct loan programs were discontinued in favor of insured loans under authority in the Consolidated Farm and Rural Development Act, as amended. The financing for these loans was provided in the Rural Development Insurance Fund (RDIF) of the Farmers Home Administration.

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, to establish a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers, including the refinancing or conversion of loans made from the Rural Development Insurance Fund. All loans financed by RDIF were converted to RETRF financing by June 30, 1973. The Act also authorized REA to guarantee loans made by private lenders at rates and terms agreed upon between the private lender and the borrower.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the bank's debentures.

Public Law 93-32, approved May 11, 1973, further amended the Act to increase the bank's borrowing authority from eight to 20 times its paid in capital and retained earnings, and to eliminate the required disclaimer of any government guarantee on debentures issued by the bank. It also provided that the bank charge a single interest rate, based on the average cost of money to the bank, but not less than five percent per annum, in lieu of the former provision for a range of interest rates on loans based on the borrowers' ability to pay. Bank loans must be fully amortized over a period not to exceed fifty years. Nearly all loans to date have been for 35-year periods.

Equity capital of the bank consists of that subscribed by the United States, bank borrowers, organizations eligible to become borrowers and organizations controlled by borrowers. Up to \$30,000,000 in government funds is available by Congressional authorization annually for purchase of the bank's Class A stock until such purchases equal \$300,000,000. Borrowers are required to purchase Class B stock of the bank in an amount equal to five percent of their loan for purposes other than the purchase of Class B stock. Class C stock of the bank may be purchased by borrowers, by organizations eligible to borrow and by organizations controlled by borrowers. The bank is authorized to borrow funds through the sale of its debentures, not to exceed 20 times its paid in capital and retained earnings.

The Rural Telephone Bank is managed by a telephone bank board consisting of 13

members. The Administrator of REA serves as Governor of the bank until conversion to private ownership, control and operation. The bank board holds at least four regularly scheduled meetings a year. Activities of the bank are carried out by the existing REA employees and employees of the Office of the General Counsel.

Available Funds and Man-Years
1973 and Estimates, 1974 and 1975

Item	Actual 1973		Estimated Available 1974		Budget Estimate 1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Rural Electrification Administration:						
Salaries and expenses	\$ 16,720,000	722	\$ 17,489,000	802	\$ 19,116,000	802
Loan authorizations:						
Rural electrification:						
Direct loans.....	595,000,000	---	---	---	---	---
Insured loans....	390,000,000	---	618,000,000	---	618,000,000	---
Loan guarantees..	---	---	1,005,000,000	---	1,386,000,000	---
Total electrification loans	985,000,000	---	1,623,000,000	---	2,004,000,000	---
Rural telephone:						
Direct loans.....	145,000,000	---	---	---	---	---
Insured loans....	89,000,000	---	140,000,000	---	140,000,000	---
Total telephone loans	234,000,000	---	140,000,000	---	140,000,000	---
Total loan authorizations.....	1,219,000,000	---	1,763,000,000	---	2,144,000,000	---
Rural Telephone Bank...	815,814,168	---	841,049,091	---	876,110,002	---
Obligations under other USDA Appropriations:						
Farmers Home Administration-Rural Development Insurance Fund, for expenses associated with loans financed under the authority of the Rural Development Act of 1972, refinanced or converted to REA insured loans as of May 11, 1973, when Public Law 93-32 was enacted.....	1,221,540	60	---	---	---	---
Farmers Home Administration, Salaries and Expenses for nonmetropolitan district planning..	24,642	1	25,000	1	---	---
Agricultural Stabilization and Conservation Service..	3,885	---	---	---	---	---
Total Agricultural Appropriation Bill.	2,052,784,235	783	2,621,563,091	803	3,039,226,002	802
Other Funds, reimbursements.....	22,304	1	25,000	1	25,000	1
Total, Rural Electrification Administration and Rural Telephone Bank.....	2,052,806,539	784	2,621,588,091	804	3,039,251,002	803

a/ Includes \$107 million available but unused in 1972.

	1973	1974	1975
End-of-Year Employment:	Actual	Estimated	Estimated
Permanent Full-Time.....	771	758	758
Other.....	10	10	10
Total.....	781	768	768

(a) Loan Authorizations

<u>Electrification Loans</u>	<u>Loan Authorizations</u>	<u>Estimated Loans</u>
<u>Insured Loans:</u>		
Appropriation Act, 1974.....	\$ 618,000,000 a/	\$ 618,000,000 a/
Budget Estimate, 1975.....	<u>618,000,000</u>	<u>618,000,000</u>
Change.....	<u>---</u>	<u>---</u>
<u>Loan Guarantees:</u>		
Appropriation Act, 1974.....	1,005,000,000 e/	1,005,000,000 e/
Budget Estimate, 1975.....	<u>1,386,000,000</u>	<u>1,386,000,000</u>
Change.....	<u>+ 381,000,000</u>	<u>+ 381,000,000</u>
Increase over 1974.....	<u>+ 381,000,000</u>	<u>+ 381,000,000</u>
<u>Telephone Loans</u>		
Appropriation Act, 1974.....	140,000,000 b/	140,000,000 b/
Budget Estimate, 1975.....	<u>140,000,000</u>	<u>140,000,000</u>
Change.....	<u>---</u>	<u>---</u>

PROJECT STATEMENT
(On Basis of Loan Authorizations)

Project	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
1. <u>Rural electrification loans</u>				
Direct 2% loan authorization.....	\$ 595,000,000 c/	---	---	---
Insured loans.....	390,000,000 d/	\$ 618,000,000 a/	--- (1)	\$ 618,000,000
Loan Guarantees	---	1,005,000,000 e/	\$+381,000,000	1,386,000,000
Total.....	985,000,000	1,623,000,000	+ 381,000,000	2,004,000,000
2. <u>Rural telephone loans</u>				
Direct 2% loan authorization.....	145,000,000	---	---	---
Insured loans.....	89,000,000 d/	140,000,000 b/	---	140,000,000
Total.....	234,000,000	140,000,000	---	140,000,000
Total Loan Authori- zation.....	1,219,000,000	1,763,000,000	+ 381,000,000	2,144,000,000

PROJECT STATEMENT
(On Basis of Actual or Estimated Loans)

Project	1973	1974 (Estimated)	Increase or Decrease	1975 (Estimated)
1. <u>Rural electrification loans</u>				
Direct 2% Loan Author- ization.....	228,000,000	---	---	---
Insured loans.....	390,000,000 <u>d/</u>	618,000,000	--- (1)	618,000,000
Loan Guarantees	---	1,005,000,000 <u>e/</u>	+381,000,000	1,386,000,000
Total.....	618,000,000	1,623,000,000	+381,000,000	2,004,000,000
2. <u>Rural telephone loans</u>				
Direct 2% Loan Author- ization.....	55,972,000	---	---	---
Insured loans.....	89,000,000 <u>d/</u>	140,000,000 <u>b/</u>	---	140,000,000
Total.....	144,972,000	140,000,000	---	140,000,000
Total loans.....	762,972,000	1,763,000,000	+381,000,000	2,144,000,000

a/ The Appropriation Act for Fiscal Year 1974, Public Law 93-135, provides an indefinite authorization of not less than \$618,000,000, but not more than \$750,000,000.

b/ The Appropriation Act for Fiscal Year 1974, Public Law 93-135, provides an indefinite authorization of not less than \$140,000,000, but not more than \$200,000,000.

c/ Includes \$107,000,000 available but unused in 1972.

d/ No limitations were set forth in the 1973 Appropriation Act. These loans were made from the Rural Electrification and Telephone Revolving Fund created by Public Law 93-32.

e/ No limitations were set forth in the 1974 Appropriation Act.

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAMS

The loan authorizations of the Rural Electrification Administration are used to carry out the lending provisions authorized by the Rural Electrification Act of 1936, as amended. The objective is to assure that adequate, dependable electric and telephone service is available to people in rural areas on reasonable terms and conditions. The Administration conducts two loan programs: (1) the rural electrification program, to provide central station electric service to farms and other rural establishments; and (2) the rural telephone program, to furnish and improve telephone service in rural areas.

Through December 31, 1972, REA could only make direct electric and telephone loans to qualified organizations at two percent interest for periods up to 35 years. Effective January 1, 1973, the direct loan programs were discontinued in favor of guaranteed and insured loans financed from the Rural Development Insurance Fund of the Farmers Home Administration under authority of the Rural Development Act of 1972. Insured loans made under this authority were later refinanced or converted to REA insured loans from the Rural Electrification and Telephone Revolving Fund (RETRF), established by Public Law 93-32, enacted May 11, 1973. This Act also provides for guarantees of loans made to REA borrowers by other lenders.

Insured loans bear either a standard rate of five percent or a special rate of two percent, in accordance with criteria specified in the Act, and must be repaid within a period not to exceed 35 years. Loans guaranteed by REA bear interest rates agreed upon by the private lender and the borrower.

REA also has authority to make loans to electrification borrowers to be reloaned to their consumers for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment.

Electrification Program Statistics
(Dollars in thousands)

	1973	1974	1975
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Cumulative net loans (direct and insured).....	\$8,746,398	\$9,364,398	\$9,982,398
Cumulative funds advanced.....	\$7,748,574	\$8,383,574	\$9,053,574
Unadvanced funds, end of year.....	\$ 997,824	\$ 980,824	\$ 928,824
Cumulative principal repaid.....	\$2,690,725	\$2,805,725	\$2,954,725
Cumulative interest paid.....	\$1,406,558	\$1,523,038	\$1,659,238
Cumulative loans guaranteed, net.....	\$ ---	\$1,005,000	\$2,391,000
Cumulative miles energized - calendar year			
(thousands) (estimated).....	1,762	1,792	1,822
Cumulative consumers served - calendar year			
(thousands) (estimated).....	7,416	7,779	8,166
Number of borrowers.....	1,091	1,091	1,091

Telephone Program Statistics
(Dollars in thousands)

	1973	1974	1975
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Cumulative net loans (direct and insured).....	\$2,147,368	\$2,287,368	\$2,427,368
Cumulative funds advanced.....	\$1,876,473	\$2,036,473	\$2,196,473
Unadvanced funds, end of year.....	\$ 270,895	\$ 250,895	\$ 230,895
Cumulative principal repaid.....	\$ 367,756	\$ 408,756	\$ 453,756
Cumulative interest paid.....	\$ 271,710	\$ 304,410	\$ 341,110
Cumulative route miles of line constructed or improved - calendar year (thousands).....	610	630	650
Cumulative dial subscribers, new and improved services - calendar year (thousands)	2,825	3,015	3,205
Number of borrowers.....	876	876	876

JUSTIFICATION OF INCREASES

(1) Increase of \$381,000,000 for rural electrification loan guarantees: An insured loan level of \$618 million is projected for fiscal year 1975, the same level as estimated for 1974. Guarantees of loans made by private lenders are expected to increase \$381 million, from \$1,005 million in 1974, to \$1,386 million in 1975. These programs, together with an additional \$125 million expected from outside supplemental sources in 1975, are necessary to enable rural communities served by REA borrowers to meet their growing needs for electric power.

Loan needs of electric borrowers have increased considerably in recent years as rural consumers, like consumers everywhere, use increasingly greater amounts of electricity and as the number of consumers increases, shortages of other fuels have resulted in the conversion to electricity in many rural areas, further adding to the demand. The country's installed generating capacity is strained and there are prospects of possible blackouts and brownouts. REA borrowers are now being asked to share with other power suppliers in the cost of constructing new generation and transmission facilities as a prerequisite to assurances of continued availability of power supplies. All costs associated with construction have increased sharply in recent years. Also, increased environmental protection and pollution abatement equipment have become an integral part of the increased cost of each new power supply project. The time required for the construction of power supply facilities has become longer, thereby further increasing their cost.

The following tables indicate the estimated loan needs of REA electric borrowers during fiscal years 1974 and 1975:

Distribution - Needs and Loans by Purpose (Dollars in millions)

<u>Needs:</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Start of year.....	\$173	\$130	\$104
New needs during year.....	<u>398</u>	<u>465</u>	<u>501</u>
Total needs.....	<u>571</u>	<u>595</u>	<u>605</u>
 <u>Loans:</u>			
REA Insured Loans.....	352 a/	381	381
Supplemental, Lien Accomodation....	<u>89</u>	<u>110</u>	<u>125</u>
Total loans.....	<u>441</u>	<u>491</u>	<u>506</u>
 Needs pending, end of year.....	<u>130</u>	<u>104</u>	<u>99</u>

a/ Includes \$153 million in direct loans made under the RE Act through December 31, 1972.

Power Supply - Needs and Loans by Purpose (Dollars in millions)

<u>Needs:</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Start of year.....	\$161	\$417	\$775
New needs during year.....	<u>790</u>	<u>1,600</u>	<u>1,600</u>
Total needs.....	<u>951</u>	<u>2,017</u>	<u>2,375</u>
 <u>Loans:</u>			
REA Insured Loans.....	266 a/	237	237
Supplemental, Lien Accomodation....	<u>268</u>	<u>---</u>	<u>---</u>
REA Loan Guarantees.....	<u>---</u>	<u>1,005</u>	<u>1,386</u>
Total loans.....	<u>534</u>	<u>1,242</u>	<u>1,623</u>
 Needs pending, end of year.....	<u>417</u>	<u>775</u>	<u>752</u>

a/ Includes \$75.1 million in direct loans made through December 31, 1972, and \$1.8 million in loans for minor generation and transmission facilities from January 1 to June 30, 1973, under the amended RE Act. Minor amounts will be needed in the current and future years, but such amounts cannot be projected with precision.

REA electric distribution borrowers provided service to approximately 328,000 additional consumers in calendar year 1972, bringing the total to over seven million rural consumers. During the period 1967-1972, REA electric distribution borrowers experienced an average annual growth rate of 11.2 percent in kWh sales. This is up from a 10.6 percent growth rate for the five-year period ending a year earlier, 1966-1971. Plant investment during the most recent five-year period, 1967-1972, shows an average annual growth rate of 6.6 percent. This compares to a 6.2 percent growth rate for the five-year period ending a year earlier, 1966-1971. Distribution borrowers added \$470 million to their plant investments in calendar year 1972, representing a 19.0 percent increase over the \$393 million that these borrowers added during 1971. The distribution loan needs for 1974 and 1975 are based on projections of the borrowers' expected growth in facilities and plant investment.

The power supply loan needs represent the average annual projected total needs over a six-year period and are based on an analysis of the requirements of individual borrowers and potential new loan applicants. In fiscal year 1975, 25 percent of the loans for distribution purposes are expected to be from supplemental sources, and 85 percent of the loans for power supply purposes are expected to come from private sources under the government guarantee program.

RURAL ELECTRIFICATION ADMINISTRATION

STATUS OF PROGRAM

The Rural Electrification Administration, through December 31, 1972, made direct loans for electric and telephone facilities in rural areas. Effective January 1, 1973, these loans were discontinued in favor of insured and guaranteed loans under authority of the Consolidated Farm and Rural Development Act, as amended. Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936 to establish a "Rural Electrification and Telephone Revolving Fund" for the purpose of making insured loans to REA electric and telephone borrowers. The Act also authorized REA to guarantee loans made by private lenders at rates and terms agreed upon between the private lender and the borrower.

The objective of both the electric and telephone programs remains the same, that is, to help improve the quality of life in rural areas by providing, through self-liquidating loans and technical assistance, adequate, dependable electric and telephone service to both farm and rural non-farm establishments on an area coverage basis under rates and conditions that permit full and productive use of these utility services.

GENERAL PROGRAM ADMINISTRATION

Loan Repayments and Delinquency - As of June 30, 1973, approximately \$2.5 billion in principal repayments had been made by electric borrowers and \$343.9 million by telephone borrowers. On June 30, 1973, seven electric borrowers were in arrears more than 30 days on debt repayments, with the delinquencies totaling \$2,804,731. In the telephone program, only three borrowers were in arrears, with delinquencies totaling \$353,562. Total losses of REA stand at \$44,478 in the electric program. This represents less than one-thousandth of one percent of the total amount loaned in the electric program. No losses have occurred in the telephone program.

Advance Loan Repayments - The balance of advance payments by electric and telephone borrowers was \$268.1 million on June 30, 1973. This is a decrease of \$50.6 million from the June 30, 1972, balance of \$318.7 million. In the electric program, the advance payment balance dropped from \$293.5 million on June 30, 1972, to \$244.2 million on June 30, 1973, a decrease of \$49.3 million. This reflects electric borrowers utilization of their accumulated advance payment accounts in lieu of making their regular payments, thereby enabling them to self-finance a greater share of construction costs. The advance payment balance in the telephone program was \$23.9 million on June 30, 1973. This is a decrease of \$1.3 million from the June 30, 1972, balance of \$25.2 million.

Accounting and Auditing - Financial and statistical reports furnished periodically to REA by borrowers are a principal source of information for the review of loan security, evaluation of program accomplishments and identification of problem areas. Experience has demonstrated that good accounting and reporting systems improve borrowers' operating efficiency, and REA, through individualized instruction and workshops specializing in utility accounting, helps train borrowers' accounting personnel in the development and maintenance of a good accounting system. Individual reviews and evaluation of borrowers' records, reports and accounting practices, and presentation of findings and recommendations to borrowers, also contribute to good accounting systems. Particular emphasis is placed on advice and assistance to new borrowers and other borrowers having need for such services.

REA borrowers are required to have their accounts and records audited annually by independent certified public accountants. These audit reports are reviewed by REA to identify trends that may adversely affect loan security or attainment of program objectives. REA accountants review the quality of the audit work performed and make selected examinations of audit work papers to determine their

adequacy. This review function is an important factor in preserving the integrity of the audit program and in insuring that the reports submitted are based on examinations carried out in accordance with acceptable audit standards. In this regard, an audit working paper guide was developed and released during fiscal year 1973 for use by the 489 certified public accountants currently performing audits of borrowers' records.

During fiscal year 1973, REA field accountants audited loan fund transactions of about 37 percent of the borrowers to evaluate the effectiveness of internal control systems, validity of data reported to REA, adequacy of the annual CPA audit and adequacy of the borrowers' control over its assets, revenues and expenses. REA field accountants also provide advice and assistance to borrowers in developing effective financial management programs.

Labor Relations - In representing the government as mortgagee and in furthering the objectives of the Rural Electrification Act, REA is concerned that its 1,800 active borrowers, employing almost 55,000 workers, adhere to sound labor management policies and practices. Insofar as practicable, REA provides advice and information to its borrowers to assist them in maintaining compliance with applicable Federal, state and local laws and regulations. This information, provided to the borrower through publications and presentations at meetings sponsored by state and national associations, assists borrowers' management personnel in the development and maintenance of good working relationships with their employees and encourages stability in the day-to-day operations of the REA-financed rural telephone and electric systems providing vital services throughout America.

Safety Training - Since enactment of the Williams-Steiger Occupational Safety and Health Act of 1970, the field of safety has undergone many changes. Various safety requirements that formerly were voluntary became mandatory under the Act. REA found that many of the functions performed by its safety staff duplicated the requirements of OSHA, such as the collection and analysis of accident data. REA discontinued this activity because the data is being collected by OSHA under mandatory record keeping requirements in the Act. However, REA continues to be active in safety activities. Staff personnel continue to serve with national code and rule-making bodies to ensure that views of rural electric and telephone borrowers are represented. REA continues to maintain liaison with industry, trade and labor organizations, as well as other Federal agencies, in behalf of the safety programs of its borrowers.

Insurance Requirements - REA borrowers are required to meet certain insurance requirements set forth in their mortgage and loan contracts. REA assists its borrowers in meeting these requirements and provides consulting services for evaluating individual insurance proposals designed to provide for the individual borrower's requirements and protection.

Member Services - REA continues to assist borrowers in developing consumer information programs through which consumers are instructed in the efficient use of electricity on the farm and in the home. Particular emphasis is placed on energy conservation. Programs are also developed to inform cooperative members as to the purposes and benefits of the cooperative concept and to urge them to take part in cooperative and community affairs.

Civil Rights and Equal Employment Opportunity - It is the policy of REA that no person in the United States shall, on the grounds of race, color, creed or national origin, be excluded from participation in, be denied the benefits of or be otherwise subjected to discrimination under the REA electric and telephone loan programs. Provisions requiring the extension of service on an area coverage basis have been in REA loan contracts since the 1940's. Allegations of discrimination in the extension of service by borrowers are extremely rare. It is also REA's policy that employment opportunities created by construction work involving

Federal financial assistance through REA loans are made equally available to all qualified persons, without regard to race, color, religion, sex or national origin.

REA encourages its borrowers to involve more minority groups in its programs and activities and has recommended a four-point program designed to stimulate borrowers to achieve this objective. Borrowers are required to certify annually that they comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder. REA has a full-time Civil Rights Coordinator who coordinates the efforts of REA and its borrowers in carrying out this program. A task force of nine REA staff members conducts civil rights progress reviews to determine the extent to which its borrowers are complying with civil rights rules and regulations. Thirty-six reviews are made annually in various parts of the country.

To get minority representation at the policy-making level, cooperatives or mutual type borrowers are encouraged to create at-large positions on boards of directors and select minority members to initially fill the newly created positions. These members will serve until the next annual meeting at which time these positions will be filled by the normal election procedure. Prior to 1969, only one black had ever served on a board of directors of an electric cooperative. As of June 30, 1973, there were 36 blacks serving on boards of directors. Other minorities have been serving on boards of directors for a number of years. As of June 30, 1973, there were 121 other minority members serving on boards of directors.

During the period from 1970 to 1972, total employment in REA-financed systems increased from 51,808 to 54,673. One out of every five of these 2,865 new positions was filled by a member of a minority group, thereby increasing the number of minority employees from 5.0 percent in 1970 to 5.7 percent in 1972.

More minority people are being employed in, or promoted to, higher level positions than ever before. With more effort being placed on programs that provide work experience for prospective employees, including minority groups, the opportunity for more members of minorities being employed and reaching higher levels will be enhanced.

Community Development - In keeping with the Department's rural development objective of improving the quality of life in rural America, REA assists borrowers and their associations to organize all available resources to carry out programs and promote individual projects. More stable and prosperous rural communities improve loan security and further the objectives of the Rural Electrification Act.

As grass roots organizations, the electric and telephone systems frequently take the lead in getting community support and mobilizing other local leaders for needed development activities. Types of specific activities are organizing local development corporations to help develop and finance businesses and industries, developing brochures describing the resources of an area, surveying the available labor supply in an area, seeking technical assistance and financial sources for prospective businesses and industries, forming organizations that can seek funds for construction of central water or sewer systems, determining housing needs in an area and helping locate funds for remodeling and new construction and seeking technical assistance and financial sources for recreational projects and health facilities.

A survey conducted by REA indicates that during calendar year 1972, REA borrowers assisted 748 commercial, industrial and community facility projects which created over 40,000 new jobs in rural areas.

Environment - REA borrowers, together with the rest of the electric industry, are still faced with the challenge of supplying a constantly increasing amount of electric power while lessening the impact of power production on the environment. Minimizing adverse environmental impact is expensive and it is estimated that REA

borrowers will need about \$158 million in fiscal year 1974 to hold pollution to acceptable levels.

In November 1973, REA issued a proposed revision of Bulletin 20-21, setting forth REA policy for compliance with the National Environmental Policy Act and incorporating changes recommended by revised Council on Environmental Quality Guidelines. Included with Bulletin 20-21 are two supplements giving detailed guidance to borrowers regarding the preparation of environmental analyses for the construction of electric generation and transmission facilities.

Between July 1, 1973, and January 15, 1974, REA published in the Federal Register four Final and four Draft Environmental Impact Statements relating to proposed REA-financed generation and transmission projects which have the potential of significantly affecting the environment. An additional 31 statements are in various stages of preparation.

Foreign Assistance - As in past years, foreign aid and training activities were conducted on a reimbursable basis for the Agency for International Development in fiscal year 1973. Approximately 69 representatives, from 21 foreign countries, received orientation and technical training in the rural electrification and rural telephone programs. In addition, REA responded to 221 written inquiries from 40 countries by furnishing technical and general information and publications.

ELECTRIC PROGRAM

Borrowers' Progress and Financial Development - As of December 31, 1972, electric energy was being provided by electric borrowers to 7,076,249 consumers by 1,047 REA borrowers in 46 states, Puerto Rico and the Virgin Islands. Of a total of 981 active borrowers, 934 are engaged primarily in operating distribution systems and 47 are operating generation and transmission facilities exclusively. One hundred and eight borrowers have repaid their loans in full.

At the end of calendar year 1972, the 1,047 electric borrowers were operating 1,732,545 miles of line and employed 39,779 full-time employees. During calendar year 1972, borrowers added 328,551 consumers, 32,197 miles of line and 1,582 full-time employees.

Since 1948, the typical (median) electric borrower has more than doubled the number of miles of line operated and the number of consumers served. As of December 31, 1972, the typical REA-financed electric distribution borrower had 1,589 miles of line and served 5,192 consumers.

The following schedule provides a percentage distribution of kWh sold, revenue and total consumers by types of consumers for calendar year 1972:

<u>Type of Consumer</u>	<u>kWh Sold</u>	<u>Revenue</u>	<u>Total Consumers</u>
Residential Farm and Non-Farm.....	64.4%	70.0%	90.8%
Commercial and Industrial - Small.....	8.1	9.7	6.1
Commercial and Industrial - Large.....	21.5	13.8	0.4
Other Electric Service and Resale.....	6.0	6.5	2.7

The composite equity of electric borrowers has increased steadily over the years. As of December 31, 1972, the composite net worth of 970 borrowers reporting was \$2,002,527,606, or 27.6 percent of total assets, as compared with 26.6 percent for 1968. Distribution borrowers had a composite net worth of \$1,890,311,826, or 33.9 percent of total assets, as of December 31, 1972, as compared with 32.6 percent in 1968.

Improvements in Electric Standards and Techniques - During fiscal year 1973,

significant improvements were made in construction standards and specifications for the electrification program and in the use of new and improved equipment and materials. Examples of two such improvements are:

1. To provide more attractive overhead electric transmission and distribution lines, REA engineers prepared new structure designs for use in scenic areas or where right-of-way is restricted because of limited widths or environmental considerations. Recommendations were made regarding suitable materials and designs after consultation with manufacturers and industry representatives. New transmission line designs include both steel and wood poles.

2. The REA specification for primary underground power cable was revised to include a standard reduced neutral cable design. This is the first national specification of this type resulting from several years' engineering analysis by REA, in coordination with borrowers and the power cable industry. Since neutral wires are made of copper, which is expensive and periodically in short supply, the revised specifications will result not only in a more economical rural cable but also in the conservation of an important resource.

REA engineers continued to work with other segments of the electrical industry in the development of voluntary national standards and codes. They participated in working committees and groups of the Institute of Electrical and Electronics Engineers, American National Standards Institute, American Wood-Preservers' Association, American Society for Testing Materials, and National Association of Corrosion Engineers, to assure that special requirements of the rural electric systems and their consumers would not be overlooked.

Retail Rates - During fiscal year 1973, 232 REA electric borrowers reported retail rate changes. Increasing fuel and wholesale power costs, coupled with rising construction and operating costs, necessitated 227 increases which added \$34,558,000 to the estimated annual revenues of these borrowers. These are industry-wide problems and the cost of electric energy is expected to continue to increase in all sections of the country. There were only five rate reductions during the period and these represented relatively minor rate adjustments, decreasing annual revenues by about \$147,000.

Management Assistance to Borrowers - REA continues to help borrowers develop better management practices and stronger financial positions through refinement of performance criteria, management assistance, merger assistance and the economical use of automatic data processing equipment. During fiscal year 1973, assistance was extended, upon request, to 17 groups of borrowers by conducting workshops for their key personnel in financial forecasting and fiscal reporting and controlling. Instructions and assistance were also given, primarily to groups of borrowers' personnel, in the use of automatic data processing equipment and the impact of various methods on different categories of expenses. An inventory coding system for material was published to encourage standardization of codes for more effective inventory controls and to facilitate group purchasing arrangements.

Power Supply - Total energy sales of all REA borrowers increased 11 percent during 1972, and increased at an average annual rate of 11.9 percent over the five-year period ending December 31, 1972. The increase for the entire electric utility industry for the same five-year period was 7.3 percent. The average cost of energy purchased at wholesale by REA distribution borrowers has increased in each of the past three years, a trend which is the reverse of the experience of the prior 20 years when the cost of energy steadily decreased. The cost per kWh was .63 cents in 1969, .66 cents in 1970 and .73 cents in 1971, the last year for which data is available. Increases in all elements of expense, together with shortage of energy from all sources, suggest that the wholesale cost will continue to increase in the foreseeable future.

The increase in demand, the increase in price and the crisis in supply now being experienced, all point up the need for securing adequate supplies and achieving all possible savings through pooling and joint ownership of large generating units with other power suppliers.

Load Forecasts - REA's new proposed policy with respect to load forecasts would place responsibility for developing and maintaining estimates of energy consumption and power requirements on the individual borrower. Detailed procedures and instructions for developing such studies are to be included in a new proposed REA Bulletin 120-1, entitled "Development, Approval and Use of Power Requirements Studies." Under the new requirements, REA assistance will continue to be made available through the field staff.

REA approval of load forecasts is required before approval can be given for engineering, financial and other studies relating to financing. Under the new plan, the borrowers' estimates will be reviewed and revised every three years instead of every two years as now required. Specialized load forecasts will still be made by REA's Power Requirements Staff.

ELECTRIFICATION PROGRAM STATISTICS

From 1935 to June 30, 1973, \$8.7 billion in electrification loans have been made and the percentage of farms with central station electric service has increased from about ten percent to 98.5 percent. The demand for new service to non-farm rural consumers continues as residential communities, business and industry develop in rural areas. Power loads are doubling about every seven years as heavy increases in consumption of electric power continue.

Loan Activity - During the 1973 fiscal year, 569 loans were approved, totaling \$618,000,000. Of this total, 282 loans totaling \$228,000,000 were in the form of direct loans through December 31, 1972, and 287 loans totaling \$390,000,000 were insured loans from the Rural Electrification and Telephone Revolving Fund (RETRF), created by Public Law 93-32, enacted May 11, 1973, which amended the Rural Electrification Act of 1936, as amended. For fiscal year 1974, it is expected that there will be another \$618 million in insured electric loans and \$1,005 million in guarantees of loans to REA borrowers made by private lenders.

Purpose of Loans Made - During fiscal year 1973, loans amounted to \$352,353,140 for distribution purposes (57.0 percent) and \$265,646,860 for generation and transmission facilities (43.0 percent).

Rescissions - During fiscal year 1973, there was one rescission of a prior year loan amounting to \$60,000.

Fund Advances and Construction Progress

	1973	1974 Estimate
Advances (fiscal year).....	\$454,599,125	\$635,000,000
Consumers connected (calendar year, estimate).....	340,000	365,000
Miles energized (calendar year, estimate).....	30,000	30,000
Generating capacity installed (kW) (fiscal year).....	305,143	64,320

Unadvanced loan funds aggregated \$997.8 million as of June 30, 1973. They are expected to total \$980.8 million by June 30, 1974.

Cumulative Repayments

Payments:	June 30, 1972	June 30, 1973
Principal (including payments ahead of schedule).....	\$2,560,819,191	\$2,690,725,089
Interest.....	1,302,753,921	1,406,557,543
Payments ahead of schedule.....	293,469,044	244,175,463
Payments overdue more than 30 days.....	3,080,015	2,804,731
Interest and principal lost on two foreclosures.....	44,478	44,478

TELEPHONE PROGRAM

Borrowers' Progress and Financial Development - As of December 31, 1972, telephone service was being provided by REA borrowers to 2,638,575 subscribers over 589,282 route miles of line. This is an increase of 571,550 subscribers and 55,723 miles of line since December 31, 1968. The average telephone borrower had 713 route miles of line and 3,190 subscribers at the end of calendar year 1972, compared with 660 miles and 2,549 subscribers at the end of 1968, an increase of 7.7 percent in route miles and 25.2 percent in subscribers for the four-year period.

Rural telephone borrowers reported total operating revenues of \$470.6 million in calendar year 1972, compared with \$407.8 million in the previous year. Forty-eight and one-half percent of the increase came from net toll revenues which increased 19 percent, from \$192 million in calendar year 1971, to \$228 million in 1972.

Increased toll usage by rural subscribers can be attributed in large part to the upgrading of service which has been taking place in rural areas. Reducing the number of parties per line encourages use of the telephone for long distance, as well as local calls. Some of the increase in toll revenues is the result of additional ownership of toll line and toll ticketing equipment. The number of borrowers using cost separations rather than "average" toll settlements has also increased the borrowers' share of toll revenues.

The increase in local service revenue of \$24.7 million is due not only to additional subscribers, but also to changing to a higher grade of service, as shown in the table below:

Service	1968	1969	1970	1971	1972
One-Party.....	32.9%	37.1%	41.6%	46.3%	50.6%
Two-Party.....	10.8	10.4	9.8	8.9	8.2
Four- and Five-Party.....	26.0	25.6	25.6	26.3	25.5
Eight- or More Party.....	30.3	26.9	23.0	18.5	15.7

Increase in Net Worth - As of December 31, 1972, 823 telephone borrowers reported a composite net worth of \$472 million, or 20.6 percent of their total assets. As indicated below, the average net worth for both cooperative and commercial borrowers has been doubling every four years.

Increase in Net Worth (Telephone)

As of December 31	Number of Borrowers Reporting	Average Net Worth Per Borrower	Ratio to 1964	Percent of Total Assets
1964	804	\$139,687	1.00	11.2
1968	811	297,207	2.13	16.5
1972	823	573,788	4.11	20.6

Although the percentage of telephone borrowers with a net worth equal to or greater than 40 percent of their assets is relatively small, the percentage of those with a net worth equal to 20 percent or more is increasing.

Percent of Telephone Borrowers With Net Worth

As of December 31	Less than 20 Percent of Assets	20 to 39 Percent of Assets	40 Percent or More of Assets
1964	81%	18%	1%
1968	64	32	4
1972	56	38	6

The investment of telephone borrowers in total plant is also rapidly increasing. At the end of 1972, borrowers had a total plant of \$2.58 billion, with a long-term debt balance of \$1.64 billion. Borrowers have invested approximately \$940 million in their plant facilities (in addition to the replacements they financed), either by principal payments on the long-term debt for the original construction, or by financing plant additions with other than REA loan funds. As the following table indicates, the dollar amount of the investment of these borrowers in their total telephone plant increased by more than \$439 million in the last four years, with an average borrower plant investment of \$1,141,587.

Borrower Investment in Total Telephone Plant
(Total Plant Less Long-Term Debt)

As of December 31	Total Borrower Plant Investment	Number of Borrowers Reporting	Average Borrower Plant Investment
1963	\$176,310,663	784	\$224,886
1964	215,350,275	804	267,849
1965	267,535,047	816	327,862
1966	332,334,482	814	408,273
1967	412,646,990	811	508,813
1968	500,067,457	811	616,606
1969	585,620,108	805	727,478
1970	703,656,277	803	870,862
1971	790,273,889	814	970,852
1972	939,526,651	823	1,141,587

Borrowers plant investment is defined as the cost of total plant (before deducting the accumulated provision for depreciation and amortization), less the balance due on the long-term debt.

Engineering Progress - Electronic transmission and signaling equipment which can be substituted for copper continued to decrease in cost in 1973, and received accelerated usage by REA-financed systems. At the same time, the cost of plastics derived from petroleum and copper used in telephone cables increased. The reliability of electronic equipment improved greatly in 1973, largely because of REA's insistence on environmental testing. Such testing, conducted by equipment manufacturers, simulates in a few weeks conditions which might not be revealed for several years in actual service.

During the year, REA put increased emphasis on verification by the borrowers that their subscribers are actually getting the quality of telephone transmission expected on rural circuits. A training packet describing testing procedures at a subscriber's location was prepared by REA to be used by borrowers' employees responsible for day-to-day maintenance of telephone plant. Consisting of 52 color slides and a magnetic tape recording, the packet was offered as a sale item to both borrower and non-borrower systems. Initial response to the offer was very good, and it is hoped that this technique will be used by borrowers' associations and telephone equipment suppliers to improve the technical ability of telephone craftsmen.

A major research project was undertaken during the year by telephone cable suppliers, other manufacturers and engineers from the Bureau of Standards and REA to determine the reason for poor transmission in certain small size cables used in large quantities by rural telephone companies. The cause appears to have been determined and work is currently underway to find a satisfactory substitute for the problem-causing materials.

For some years, modern dial central offices have been designed primarily for use in large cities, and have required modification to meet the needs of rural telephone systems. For the past three years, REA has encouraged manufacturers to produce smaller but modern switchboards which will meet the specific demands of rural systems. REA provided manufacturers with valuable data on the characteristics of the 4,500 dial central offices it finances, to be used by the manufacturing industry in optimizing a design for the more than 9,000 rural central offices having less than 2,000 subscribers. Switchboards of this type are now being designed to meet REA specifications and should become available to borrowers within a few years.

Operation and Maintenance - Guidelines for borrowers to use in providing the modern communications services demanded by subscribers at the lowest practicable cost were developed by the REA staff during the year. These include recommendations on materials and techniques used by borrowers in the installation, operation and maintenance of telephone systems, and were developed with the cooperation of the telephone industry and telephone equipment manufacturers.

Management Evaluation - A new publication, "Management Evaluation: A Guide for Self-Appraisal," was prepared to help borrowers' management personnel appraise their own performance. It is designed with a series of questions that focus on crucial areas of telephone management, such as policy, personnel, plant safety, records and maintenance. Suggestions for establishing a workable time schedule for developing and detailing formal plans are also included.

TELEPHONE PROGRAM STATISTICS

Through June 30, 1973, telephone loans have totaled over \$2.1 billion and the percentage of farms with telephone service has increased from about 38 percent in 1949 to 86 percent in 1972.

Satisfactory rural telephone service today implies an improved grade of service from the eight-party rural concept of years ago. In keeping with subscriber demand, REA now recommends four-party flat rate rural service as the preferred minimum standard. Due to an increasing demand for one- and two-party service in rural areas, REA encourages borrowers to develop systems to meet this demand at reasonable rates.

Loan Activity - During fiscal year 1973, 115 loans were approved, totaling \$144,972,000. Of this total, 55 loans totaling \$55,972,000 were in the form of direct loans through December 31, 1972, and 60 loans totaling \$89,000,000 were insured loans from the Rural Electrification and Telephone Revolving Fund (RETRF), created by Public Law 93-32, enacted May 11, 1973, which amended the Rural Electrification Act of 1936, as amended. For fiscal year 1974, it is expected that there will be \$140 million in insured telephone loans, complemented by a \$150,000,000 loan program of the Rural Telephone Bank.

Rescissions - During fiscal year 1973, there were two rescissions of prior year loans, totaling \$140,525.

Fund Advances and Construction Progress

	<u>1973</u>	<u>1974 Estimate</u>
Advances (fiscal year).....	\$122,375,049	\$160,000,000
Route miles of line constructed or improved (calendar year, estimate).	21,000	20,000
Subscribers receiving new or improved service (calendar year, estimate)..	186,000	190,000

Through June 30, 1973, borrowers had received advances under their loan contracts totaling \$1,876,472,536. Total loans approved provide for construction and improvement of 616,274 miles of line and new or improved dial service to about 2,854,530 subscribers.

Cumulative Repayments

	<u>June 30, 1972</u>	<u>June 30, 1973</u>
Payments:		
Principal (including payments ahead of schedule).....	\$327,345,924	\$367,755,678
Interest.....	242,085,367	271,710,442
Payments ahead of schedule.....	25,188,689	23,893,655
Payments overdue more than 30 days.....	533,953	353,562

PROGRESS OF ELECTRIFICATION AND TELEPHONE PROGRAMS

The cumulative figures presented in the following Tables I, II, III and IV show the progress that has been made in the electrification and telephone programs since their inception.

TABLE NO. I - ELECTRIFICATION LOANS
(Cumulative Figures)

Date	Total Net Loans All Purposes a/	Long-Term Supplemental Loans b/	Guaranteed Loans	Construction Authorized By Total Loans to Date	
				Miles of Line	Consumers Served
June 30, 1936-1958.....	\$3,772,577,652			1,479,209	5,088,096
June 30, 1959.....	3,942,338,539			1,491,406	5,188,687
June 30, 1960.....	4,153,325,751			1,503,863	5,312,265
June 30, 1961.....	4,424,756,408			1,520,899	5,459,083
June 30, 1962.....	4,680,742,660			1,534,551	5,560,708
June 30, 1963.....	5,020,163,286			1,555,087	5,762,534
June 30, 1964.....	5,280,871,573			1,572,769	5,929,349
June 30, 1965.....	5,631,572,196			1,590,628	6,081,076
June 30, 1966.....	5,942,226,055			1,611,242	6,275,289
June 30, 1967.....	6,292,885,281			1,630,939	6,439,948
June 30, 1968.....	6,642,684,316	66,000,000		1,651,007	6,637,276
June 30, 1969.....	6,985,363,485	66,000,000		1,660,572	6,737,301
June 30, 1970.....	7,329,418,562	66,000,000		1,681,825	6,908,440
June 30, 1971.....	7,690,458,056	231,774,000		1,699,683	7,113,261
June 30, 1972.....	8,128,458,057	544,530,000		1,722,866	7,412,054
June 30, 1973.....	8,746,398,057	652,224,000		1,757,597	7,856,803
June 30, 1974 (Est.)...	9,364,398,057	762,224,000	1,005,000,000	1,787,597	8,221,803
June 30, 1975 (Est.)...	9,982,398,057	887,224,000	2,391,000,000	1,817,597	8,606,803

a/ Comprised of REA direct and insured loans.

b/ Includes commitments for long-term financing from all sources other than REA direct, insured and guaranteed loan programs.

TABLE NO. II - ELECTRIFICATION CONSTRUCTION
(Cumulative Figures)

Date	Loan Funds Advanced to Borrowers a/	Total Miles		Construction Completed b/		Total kWh Sales c/ (Thousands)
		Energized	Served	Total Consumers (Annual)	Served	
1936-1958.....	\$3,146,545,731	1,424,441	4,596,270			21,901,769
1959.....	3,358,263,066	1,445,835	4,721,630			25,070,622
1960.....	3,580,884,081	1,465,315	4,825,802			27,268,625
1961.....	3,764,297,121	1,483,021	4,955,642			28,967,198
1962.....	3,960,104,248	1,504,228	5,094,953			31,880,133
1963.....	4,205,858,366	1,526,812	5,237,912			35,357,255
1964.....	4,451,822,854	1,547,143	5,386,088			39,836,854
1965.....	4,751,612,288	1,566,772	5,541,478			42,668,054
1966.....	5,030,390,048	1,586,502	5,652,844			48,439,056
1967.....	5,339,134,905	1,606,497	5,806,017			52,880,144
1968.....	5,734,077,563	1,627,445	5,986,140			58,303,933
1969.....	6,101,157,248	1,650,240	6,196,967			66,421,021
1970.....	6,463,530,118	1,676,001	6,442,332			76,009,289
1971.....	6,875,490,883	1,700,348	6,747,698			84,282,836
1972.....	7,293,974,951	1,732,545	7,076,249			92,534,163
1973.....	7,748,142,113	1,762,000	7,416,249			101,800,000
1974 (Estimated).....	8,419,142,113	1,792,000	7,781,249			112,000,000
1975 (Estimated).....	9,089,142,113	1,822,000	8,166,249			123,200,000

a/ Fiscal Year - Includes advances on REA direct and insured loans.

b/ Calendar Year.

c/ Excludes energy sales by one REA borrower to another.

TABLE NO. III - TELEPHONE LOANS
(Cumulative Figures)

Date	Number of Borrowers	Total Net Loans a/	Telephone Bank Net Loans	Construction Authorized By Total Loans To Date	
				Route Miles of Line to be Constructed or Improved	Subscribers to Receive New or Improved Service
June 30, 1950-1958.....	611	478,459,015		277,730	1,020,454
June 30, 1959.....	665	575,213,415		317,227	1,191,324
June 30, 1960.....	705	679,210,237		356,581	1,371,791
June 30, 1961.....	753	818,257,691		407,621	1,604,011
June 30, 1962.....	790	909,035,087		442,063	1,753,463
June 30, 1963.....	820	990,992,987		469,805	1,859,873
June 30, 1964.....	838	1,078,444,387		492,700	1,964,601
June 30, 1965.....	848	1,167,902,734		511,956	2,043,900
June 30, 1966.....	855	1,266,041,761		519,156	2,116,895
June 30, 1967.....	867	1,380,557,341		534,200	2,202,030
June 30, 1968.....	874	1,499,674,227		545,493	2,271,874
June 30, 1969.....	873	1,623,413,120		552,927	2,364,493
June 30, 1970.....	878	1,746,578,450		564,771	2,450,421
June 30, 1971.....	867	1,870,028,433	-0-	579,233	2,543,516
June 30, 1972.....	867	2,002,536,718	90,954,800	596,119	2,698,337
June 30, 1973.....	876	2,147,368,193	240,913,490	616,274	2,854,530
June 30, 1974 (Estimated)....	877	2,287,368,193	390,913,490	636,000	3,044,000
June 30, 1975 (Estimated)....	878	2,427,368,193	550,913,490	656,000	3,234,000

a/ Comprised of REA direct and insured loans.

TABLE NO. IV - TELEPHONE CONSTRUCTION
(Cumulative Figures)

Date	Loan Funds Advanced to Borrowers a/	Telephone Bank Loan Funds Advanced to Borrowers c/	Construction Completed b/	
			Route Miles of Line Constructed or Improved	Subscribers Receiving New or Improved Service
1950-1958.....	309,608,665		173,225	778,488
1959.....	402,878,138		238,929	958,896
1960.....	501,262,035		287,473	1,142,004
1961.....	609,326,639		297,747	1,291,468
1962.....	706,563,875		383,701	1,419,892
1963.....	792,465,840		414,271	1,523,406
1964.....	876,695,138		431,475	1,626,590
1965.....	957,487,449		460,141	1,726,359
1966.....	1,039,691,323		482,005	1,825,861
1967.....	1,142,941,570		499,179	1,944,334
1968.....	1,242,998,913		533,559	2,067,025
1969.....	1,348,878,422		554,190	2,184,575
1970.....	1,484,279,069		547,322	2,334,511
1971.....	1,621,729,749	-0-	571,139	2,466,902
1972.....	1,754,097,487	587,923	589,282	2,638,575
1973.....	1,876,472,536	45,642,259	610,000	2,825,000
1974 (Estimated).....	2,036,472,536	171,642,259	630,000	3,015,000
1975 (Estimated).....	2,196,472,536	321,642,259	650,000	3,205,000

a/ Fiscal Year - Includes advances on REA direct and insured loans.

b/ Calendar Year.

c/ Fiscal Year.

(b) Rural Telephone Bank

	Appropriation	a/ Other Authorizations (Budget Authority)	Estimated Obligations
Appropriation Act, 1974.....	\$ 30,000,000	\$ 811,049,091	\$ 151,852,371
Department Estimate, 1975.....	30,000,000	846,110,002	168,973,941
Change.....	<u>---</u>	<u>+ 35,060,911</u>	<u>+ 17,121,570</u>

a/ Reflects maximum borrowing authorized.

SUMMARY OF INCREASES AND DECREASES
(On Basis of Maximum Budget Authority)

	1974 Estimate	Program Changes	1975 Estimate
Operating Costs:			
Administrative Expenses.....	\$ 50,000	\$ ---	\$ 50,000
Interest Expenses.....	1,781,371	+ 7,121,570	8,902,941
Dividends.....	21,000	---	21,000
Maximum Loan Authority.....	839,196,720	+ 27,939,341	867,136,061
Total Available.....	<u>841,049,091</u>	<u>+ 35,060,911</u>	<u>876,110,002</u>

PROJECT STATEMENT
(On Basis of Maximum Budget Authority)

Project	1973 Actual	1974 Estimated	Increase or Decrease	1975 Estimated
1. Operating Costs:				
(a) Administrative Expense.	\$ 28,797	\$ 50,000	\$ --- (1)	\$ 50,000
(b) Interest Expense.....	---	1,781,371	+ 7,121,570	8,902,941
(c) Other.....	7,313	---	---	---
2. Dividends.....	---	21,000	---	21,000
3. Loan Authority.....	815,778,058	839,196,720	+ 27,939,341	867,136,061
Total Authorization.....	<u>815,814,168</u>	<u>841,049,091</u>	<u>+ 35,060,911</u>	<u>876,110,002</u>

PROJECT STATEMENT
(On Basis of Obligations)

Project	1973 Actual	1974 Estimated	Increase or Decrease	1975 Estimated
1. Operating Costs:				
(a) Administrative Expense.	\$ 28,797	\$ 50,000	\$ --- (1)	\$ 50,000
(b) Interest Expense.....	---	1,781,371	+ 7,121,570	8,902,941
(c) Other.....	7,313	---	---	---
2. Dividends.....	---	21,000	---	21,000
3. Loans.....	149,958,690	150,000,000	+ 10,000,000	160,000,000
Total Obligations.....	<u>149,994,800</u>	<u>151,852,371</u>	<u>+ 17,121,570</u>	<u>168,973,941</u>

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. Public Law 92-324, approved June 30, 1972, amended the Act to permit the Secretary of the Treasury to purchase the bank's debentures. This will minimize REA borrowing costs and help avoid cash-flow problems associated with obtaining funds on the private money market. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the bank's borrowing authority from eight to 20 times its paid in capital and retained earnings, and to eliminate the required disclaimer of any government guarantee on debentures issued by the bank. This Act also provided that the bank charge an interest rate based on the average costs of money to the bank, but not less than five percent per annum, in lieu of the former provision for a range of interest rates on loans based on the borrowers' ability to pay. Currently, the rate is set by the Governor at seven percent.

Budget Authority

Equity capital of the bank consists of Class A stock purchased by the United States and Class B and C stock purchased by bank borrowers, organizations eligible to become borrowers and organizations controlled by borrowers, as well as retained earnings. The maximum budget authority of the bank is related to its borrowing authority which is limited to 20 times its paid in capital and retained earnings. Fiscal year 1974 total budget authority available for the bank is estimated at \$2.009 billion, comprised of \$841 million in new budget authority and \$1.168 billion in unobligated authority brought forward. In 1975, budget authority is calculated at \$2.8 billion, consisting of \$876 million in new budget authority and \$1.9 billion in authority carried over from prior years.

Highlights of Operation

The Rural Telephone Bank made 132 loans totaling \$149,958,690 in fiscal year 1973, at a weighted average interest rate of 6.14 percent. From inception one and a half years ago, 221 loans have been made totaling \$240,913,490, at a weighted average interest rate of 6.2 percent.

The bank's net income for the year came to \$928,731 after making provision for a return of \$368,843 on Class A stock. The net income of the bank is available for patronage refunds, dividends and establishment of reserves. Assets of the bank totaled \$67,435,408 as of June 30, 1973, and liabilities \$372,141. The bank has been investing the proceeds from the sale of Class B and C stock in United States securities, and interest on these investments amounted to \$125,452 in 1973.

Program Statistics (Dollars in thousands)

	1973	1974	1975
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Cumulative loans.....	\$240,913	\$390,913	\$550,913
Cumulative loan funds advanced..	\$ 45,642	\$171,642	\$ 321,642
Unadvanced loan funds, end of year.....	\$195,271	\$ 219,271	\$ 229,271
Cumulative principal repaid.....	\$ 13	\$ 31	\$ 1,414
Cumulative interest paid on loans.....	\$ 914	\$ 7,435	\$ 22,532
Number of borrowers.....	214	320	420

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$7,121,570 for operating costs (interest expense):

Public Law 92-324, approved June 30, 1972, amended the Rural Electrification Act of 1936, as amended, to permit the Secretary of the Treasury to purchase the

debentures of the Rural Telephone Bank. In fiscal year 1974, it is estimated that the bank will require \$77,000,000 and \$113,000,000 in 1975, from the sale of debentures in order to make advances to borrowers.

The increase represents the additional interest paid the U.S. Treasury in 1975 over 1974, at the rate of 7.5 percent. The interest cost is computed from the date the advance is made to the borrower.

(2) An increase of \$27,939,341 in loan authority and \$10,000,000 for loans: The budget request provides \$876.1 million in new budget authority for 1975, an increase of \$35.1 million over 1974. With an unobligated balance of 1974 authority estimated at \$1.87 billion and other funds of \$25.1 million, the bank will have a total of \$2.77 billion in budget authority available in 1975. Of this amount, it is estimated that \$160 million will be obligated for loans and \$10.6 million for operating costs. This compares with loans estimated at \$150 million and operating costs of \$2.2 million in 1974.

The maximum budget authority of the bank consists of the total paid in capital and retained earnings of the bank, plus borrowings limited by law to 20 times the paid in capital and retained earnings. The legislation establishing the bank authorizes U.S. stock purchases totaling \$300 million, with up to \$30 million to be appropriated annually. An appropriation of \$30 million is required for fiscal year 1974. It is estimated that an additional \$12.3 million in capital will be obtained through the sale of stock to borrowers and retained earnings. Borrowings by the bank are estimated at \$77 million in fiscal year 1974, and \$113 million in 1975.

The following table shows total budget authority, estimated obligations and balances carried forward:

Rural Telephone Bank (Dollars in thousands)			
	1973 Actual	1974 Estimated	1975 Estimated
<u>Budget Authority:</u>			
Appropriation for purchase of Class A stock.....	\$ 30,000	\$ 30,000	\$ 30,000
Adjustment for change in statutory borrowing authority.....	787,996 <u>2/</u>	---	---
Borrowing authority - maximum, current year <u>1/</u>	308,382	811,049	846,110
New Budget Authority.....	1,126,378	841,049	876,110
Budget authority carried over from prior years.....	184,391	1,167,746	1,870,670
Total Budget Authority.....	1,310,769	2,008,795	2,746,780
Other funds available.....	6,973	14,096	25,062
Total budgetary resources.....	1,317,742	2,022,891	2,771,842
<u>Less:</u>			
Loans approved.....	149,959	150,000	160,000
Operating expenses.....	36	1,852	8,974
Return on Class A stock.....	1	369	1,632
Total.....	149,996	152,221	170,606
Balance carried forward to next year...	1,167,746	1,870,670	2,601,236

1/ Reflects maximum borrowing authority, authorized by the RE Act, as amended, computed as follows:

	1973 Actual		1974	1975
	7/1/72 to 5/11/73	5/12 - 6/30/73	Estimated	Estimated
Paid in capital and retained earnings:			\$	
Class A stock.....	\$ 30,000	---	\$ 30,000	\$ 30,000
Class B stock.....	4,354	\$ 1,113	6,000	6,000
Class C stock.....	65	---	5	5
Retained earnings.....	651	277	4,547	6,301
Total.....	35,070	1,391	40,552	42,306
Statutory borrowing authority	x 8	x 20	x 20	x 20
Maximum borrowing authority..	280,564	27,818	811,049	846,110
Total.....	308,382		811,049	846,110

2/ Adjustment in 1973 for paid in capital and retained earnings which were computed at eight times in the budget authority, carried over from prior period.

\$ 30,596	1972
<u>35,070</u>	1973 (7/1/72 - 5/11/73)
65,666	Total
<u>x 12</u>	Increase in statutory borrowing authority
<u><u>787,996</u></u>	Total adjustment

Meeting the Need for Rural Telephone Loans

Fiscal year 1973 began with \$661.8 million in applications on hand in REA. During the year, an additional \$196.5 million in applications was received; however, with REA loans totaling \$145 million and Rural Telephone Bank loans of \$150 million, the backlog of applications pending was reduced for the first time since fiscal year 1962.

By combining REA insured loans with funds available from the Rural Telephone Bank, it is estimated that the urgent yearly loan needs can be met and that the current large backlog of applications can be gradually reduced as shown in the tabulation below:

Telephone Program - Applications and Loans
(Rounded to millions)

	<u>1973 Actual</u>	<u>1974 Estimated</u>	<u>1975 Estimated</u>
Applications on hand at beginning of year.....	\$ 662	\$ 556	\$ 516
Applications received during year...	<u>197</u>	<u>250</u>	<u>250</u>
Total applications for consideration during year.....	858	806	766
REA Insured Loans.....	145 <u>a/</u>	140	140
Rural Telephone Bank Loans.....	<u>150</u>	<u>150</u>	<u>160</u>
Total loans.....	295	290	300
Net adjustments.....	<u>- 8</u>	<u>---</u>	<u>---</u>
Applications pending at end of year.	<u><u>556</u></u>	<u><u>516</u></u>	<u><u>466</u></u>

a/ Includes \$56 million in two percent REA direct loans through December 31, 1972.

RURAL TELEPHONE BANK

Status of Program

The Rural Telephone Bank was established May 7, 1971, when Public Law 92-12 was enacted, amending the Rural Electrification Act of 1936, as amended. The bank supplements the REA telephone program in providing rural telephone systems with capital for furnishing and improving telephone service in rural areas.

Lending Activity - During fiscal year 1973, the Rural Telephone Bank approved 132 loans, totaling \$149,958,690, with a composite interest rate of 6.14 percent. From the bank's inception in May 1971, 221 loans have been approved, totaling \$240,913,490.

Sale of Stock - The government purchased \$30 million of Class A stock of the bank during fiscal year 1973, and another \$30 million during the current year, bringing the cumulative total of Class A stock purchases to \$90 million. Bank borrowers purchased \$5,467,645 in Class B stock during fiscal year 1973, bringing the cumulative total through June 30, 1973, to \$5,600,195. Class C stock sales amounted to \$65,000 during the year, bringing the cumulative total through June 30, 1973, to \$525,000.

Income and Patronage Capital - During fiscal year 1973, interest income totaled \$1,337,372, including \$1,145,158 from loans and \$192,214 from investments. After deducting operating expenses of \$39,797, the net income for the year was \$1,297,575. After deducting the return on Class A stock of \$368,843, patronage capital (retained earnings) amounted to \$932,043, including the contingency reserve of \$3,311.

Management of the Rural Telephone Bank - The management of the telephone bank is vested in a board of directors consisting of 13 members. Two of the members, the REA Administrator and the Governor of the Farm Credit Administration, are designated in the legislation establishing the bank. Of the other eleven members, five are appointed by the President and six are elected by bank borrowers.

Interest Rates - Public Law 93-32, approved May 11, 1973, provided that the bank charge a single interest rate, based on the average cost of moneys to the bank, but not less than five percent, in lieu of the former provision for a range of interest rates on loans based on the borrower's ability to pay. Effective October 1, 1973, the Governor increased the bank's rate of interest from 6.5 percent to 7.0 percent.

General Administration - Operations of the telephone bank are being carried out by REA field and Washington employees and employees of the Office of the General Counsel. This has allowed the bank to hold its administrative expenses to a minimum.

The bank has been able to apply most of the established REA policies and procedures relating to REA telephone loan planning and processing. REA engineering standards and specifications, construction requirements, management techniques and loan policies generally apply to bank loans.

(c) Salaries and Expenses

Appropriation Act, 1974.....	\$16,720,000
Budget Estimate, 1975.....	<u>19,116,000</u>
Increase in Appropriations.....	+ 2,396,000

Adjustments in 1974:

Appropriation Act, 1974.....	\$16,720,000	
1974 Supplemental Appropriation for		
pay costs.....	+ 769,000	
Adjusted base for 1975.....		17,489,000
Budget Estimate, 1975.....		<u>19,116,000</u>
Increase over adjusted 1974.....		+ 1,627,000

SUMMARY OF INCREASES AND DECREASES
(On Basis of Adjusted Appropriation)

	1974	Increase or Decrease	1975 Estimate
GSA Space rental costs..... \$	---	\$+ 786,000	\$ 786,000
Pay cost increase effective			
in 1974.....	---	+ 741,000	741,000
Increased operating costs.....	---	+ 100,000	100,000
All other.....	<u>17,489,000</u>	---	<u>17,489,000</u>
Total available.....	<u>17,489,000</u>	<u>+1,627,000</u>	<u>19,116,000</u>

PROJECT STATEMENT
(On Basis of Adjusted Appropriation)

Project	1973 a/ 1974	Estimated	Increase	1975 Estimated
1. <u>Administration of rural electrification program:</u>				
(a) Lending and management activities.....	\$ 4,362,266	\$ 4,869,000	\$+ 428,300	\$ 5,297,300
(b) Engineering activities.....	3,421,626	4,165,000	+ 411,700	4,576,700
Total, administration of electrification program..	7,783,892	9,034,000	(1) + 840,000	9,874,000
2. <u>Administration of rural telephone program:</u>				
(a) Lending and management activities.....	3,740,765	4,481,000	+ 427,100	4,908,100
(b) Engineering activities.....	3,589,224	3,974,000	+ 359,900	4,333,900
Total, administration of telephone program.....	7,329,989	8,455,000	(2) + 787,000	9,242,000
Unobligated balance.....	1,606,119	---	---	---
Total available or estimate....	16,720,000	17,489,000	+1,627,000	19,116,000
Proposed supplemental for increased pay costs.....	---	769,000		
Total appropriation.....	16,720,000	16,720,000		

a/ Excludes \$1,222 thousand in obligations recorded in the Rural Development Insurance Fund associated with loans financed under the authority of the Rural Development Act of 1972, refinanced or converted to REA loans as of May 11, 1973, when Public Law 93-32 was enacted.

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Rural Electrification Administration enables the Administration to carry out the activities authorized by the Rural Electrification Act of 1936, as amended. In addition to processing loans for the extension and improvement of electric and telephone service in rural areas, the REA staff furnishes management and technical help to borrowers where needed to protect the government's loan security, to assure that construction and operation of their systems conform to approved standards and that the systems will provide adequate and reliable service.

Applications, Loans and Requisitions for Advances (Rounded to thousands)

	F.Y. 1972		F.Y. 1973		F.Y. 1974	
	Number	Amount	Number	Amount	Number	Amount
<u>Electric Program</u>						
Applications received 1/.....	585	\$923,341	467	\$1,248,349	410	\$2,065,000
Applications on hand 1/.....	210	335,916	100	548,190	95	770,000
Loans approved.....	467	438,253	569	618,000	550	618,000 ^{2/}
Advances processed.....	2,365	418,484	2,486	454,599	3,527	635,000
 <u>Telephone Program 3/</u>						
Applications received-new....	31	33,624	15	10,325	30	40,000
-existing....	153	237,586	146	186,206	162	210,000
Applications on hand-new....	67	85,255	53	70,734	65	90,300
-existing....	340	576,577	278	484,927	300	425,700
Loans approved-new-REA.....	13	8,807	22	13,536	18	20,400
-existing-REA.....	163	124,858	93	131,436	92	119,600
Loans approved-new-RTB.....					7	16,600
-existing-RTB.....	89	90,955	132	149,959	128	133,400
Advances processed-REA.....	1,258	132,368	1,256	122,375	1,600	160,000
-RTB.....	2	588	214	45,072	1,260	126,000

1/ Includes money from all sources.

2/ Excludes guaranteed loans of \$1,005,000,000 in 1974.

3/ Processing applications and advances to "new" borrowers requires more processing time than loans to "existing" borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$840,000 for Administration of rural electrification program:

(a) GSA Space rental costs.....	\$405,000
(b) Pay cost increase effective in fiscal year 1974.....	383,000
(c) Increased operating costs.....	52,000

(2) An increase of \$787,000 for Administration of rural telephone program:

(a) GSA Space rental costs.....	381,000
(b) Pay cost increase effective in fiscal year 1974.....	358,000
(c) Increased operating costs.....	48,000

(a) and (b) GSA Space rental costs and pay increase effective October 14, 1973.

(c) Without an increase to cover the cost of within-grade step increases, REA will have to reduce staff below the level required to efficiently administer its loan program.

Historically, REA has been losing staff at the rate of about six manyears per year as a result of absorbing within-grade increases. Further reduction in staff would make it impossible to carry out the loan programs planned and, at the same time, maintain loan security and meet the borrowers' most urgent needs for technical assistance.

FARMERS HOME ADMINISTRATION

Purpose Statement

FARMER PROGRAMS:

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. The following description of Farmers Home Administration's program activities includes certain changes or expansions in previous programs, as well as a number of new programs authorized by the Consolidated Farm and Rural Development Act, Public Law 92-419, approved August 30, 1972.

Farm ownership loans - are made to borrowers who cannot obtain credit elsewhere to improve or purchase farms or additions to farms (5% interest, up to 40 years to repay).

Operating loans - this program provides short-to-intermediate term production credit to farmers who cannot obtain credit elsewhere (at 6-3/4% interest, up to 7 years to repay).

Emergency loans - these loans are made to farmers in Presidentially or Secretarially designated disaster areas to restore production. Made at 5% interest and for the same general purposes as operating loans, the eligibility requirements are less stringent.

Soil and water loans - loans are made to associations, farmers, ranchers and non-operator owners for land and water development, use and conservation. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

Grazing loans - these loans are generally made to associations of 3 or more ranchers for the purchase of grazing land to permit expansion of herds. Terms are 5% interest and 40-year repayment.

Watershed works of improvement and flood prevention loans - made to sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1974 fiscal year is 4.012 percent. Total loans outstanding on any one project may not exceed \$5,000,000.

Resource conservation and development loans - are made to sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations and individuals for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years, with repayment of principal and interest deferred up to 5 years, if necessary. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate for the 1974 fiscal year is 4.012 percent.

HOUSING PROGRAMS:

Subsidized housing loans - these loans are made to repair or purchase new or better individual housing. Families having an adjusted family income of below \$7,000 and meeting certain other criteria may qualify for interest rates as low as 1%. Loans are repayable over a 33-year period.

Moderate income housing loans - these loans are made to repair or purchase new or better individual housing for persons of moderate income in rural areas. The interest rate is 8-1/4% and the term of repayment 33 years.

Rural rental and cooperative housing loans - insured loans are made to individuals, corporations, associations, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low or moderate income in rural areas. These loans are repayable in not more than 50 years and bear interest in fiscal year 1974 at 8-1/4 percent with provisions for interest reductions of up to 7-1/4 percent under certain circumstances.

These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources, including assistance available under section 236 of the National Housing Act. No loan may exceed \$750,000.

Very low income housing repair loans - direct repair and improvement loans up to \$3,500 are made at one percent interest for not more than 15 years only to very low-income families who are owners of farms or nonfarm rural property to repair or improve their dwellings and essential farm buildings in order to make them safe and sanitary or to remove health hazards to the families or the community. Such loans involve water supply, septic tanks, or bathroom and kitchen plumbing facilities.

Farm labor housing loans - insured loans are made to a farmer owner, to a public or private nonprofit organization or to a nonprofit organization of farmworkers incorporated within a State to provide modest living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent. Loans to organizations may be made simultaneously with farm labor housing grants.

Farm labor housing grants - grants can be made to public or broad-based private nonprofit organizations within a State for domestic farm labor. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new structure or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishings. These grants may be made simultaneously with farm labor housing loans.

Site development loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low income families or to organizations for rental or cooperative housing. Insured loans are made at 8-1/4 percent interest in fiscal year 1974 for a two-year period.

Mutual and self-help housing grants - these grants are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to families who build their homes by the self-help method.

Self-help site development loans - direct site loans are made at 3 percent interest for a two-year period to develop building sites for sale in connection with self-help projects.

COMMUNITY PROGRAMS:

Community facilities loans - loans are authorized to public, quasi-public and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

Water and waste disposal loans - loans are authorized to public, quasi-public, and nonprofit associations and to certain Indian tribes for replacement or upgrading of water systems, waste disposal systems, or for combined purposes. These loans are made at 5% interest for 40 years.

Water and waste disposal grants - development grants are authorized to be made to public or quasi-public agencies for the development, storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may not exceed 50 percent of the development cost of the projects and supplement other funds borrowed or furnished by applicants to pay development costs. Planning grants are authorized to be made to public bodies that have authority to prepare comprehensive plans.

Rural industrialization loans - loans are authorized to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, or to individuals for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities. These loans are made at commercial rates if insured and borrower-lender rates if guaranteed. Grants are authorized to supplement loans for these purposes; these grants are anticipated to be made to public bodies to develop industrial sites.

Indian tribe land acquisition loans - loans are made to qualified Indian tribes or tribal corporations to acquire land or interests in land within the tribes' reservation or Alaskan Indian community, as determined by the Secretary of the Interior. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

Recreation loans - loans are made to farmers and ranchers for converting all or a portion of the farms or ranches they own or operate to outdoor income-producing recreation enterprises which will supplement or supplant farm income and permit carrying on sound and successful operations. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent. Loans for the development of recreation facilities are also made to public and private nonprofit groups under the same terms.

General. In fiscal year 1974, nearly 100% of the budgeted lending program will be comprised of insured loans. Under this concept, loans are made from one of the three revolving funds established for the purpose, and then sold to investors. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. FHA continues to perform all loan collection and servicing functions while the loans are being held by the purchaser. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by an Federal or State chartered bank, savings and loan associations, cooperative lending agency, or other legally organized lending agency. The term "guarantee" is defined as "to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." A small number of guaranteed loans had been made by December 31, 1973. Technical guidance in planning and carrying out sound operations is provided borrowers on the basis of their individual problems and needs. No loan is made to anyone who can secure adequate credit from other sources at reasonable rates, except for rural industrialization and certain initial emergency loans. A local county or area committee of 3 is generally required to approve each applicant and each loan or grant.

On July 1, 1973, the Administration was servicing the accounts of about 711,000 individual borrowers and 8,700 association borrowers serving approximately 2,575,000 families with principal indebtedness of \$11,433,400,000. Under the program direction of the Washington headquarters, this service was provided through 42 State Offices, a National Finance Office in St. Louis, Missouri, and approximately 1,750 county offices utilizing the services of about 3,200 supervisors and 7,100 local committeemen.

Available Funds and Man-Years, 1973 and Estimated 1974 and 1975

(Note: The following table reflects loan authorizations and obligations under revolving funds, appropriations, and transfers from other agencies.)

Item	Actual 1973		Estimated Available 1974		Budget Estimate 1975	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Farmers Home Administration:						
Direct loan account:	\$					
Operating loans	350,000,000	--	--	--	--	--
Watershed protection and flood prevention loans..	20,400,000	--	--	--	--	--
Resource conservation and development loans	3,600,000	--	--	--	--	--
Subtotal, direct loan account	374,000,000	--	--	--	--	--
Rural housing insurance fund:						
Direct housing loans	10,000,000	--	\$10,000,000	--	\$20,000,000	--
Permanent appropriation for insufficiencies on participation sales	1,630,848	--	1,146,000	--	2,268,000	--
Reimbursement for premium interest to investors... and other losses	51,461,000	--	89,170,000	--	124,592,000	--
Subtotal, rural hous- ing insurance fund..	63,091,848	--	100,316,000	--	146,860,000	--
Agricultural credit insurance fund	56,762,000	--	74,554,000	--	485,262,000	--
Rural development insur- ance fund	--	--	--	--	17,446,000	--
Rural water and waste disposal grants	92,000,000	a/ --	30,000,000	a/ --	-- a/	--
Rural development grants..	--	--	10,000,000	--	10,000,000	--
Rural housing for domestic farm labor	3,750,000	--	7,500,000	--	--	--
Mutual and self-help housing grants	3,000,000	--	4,000,000	--	--	--
Salaries and expenses:						
Direct appropriation.....	116,409,077	)	120,612,478	)	129,112,000	)
Transfer from ACIF	250,000	)	500,000	)	500,000	)
Transfer from RHIF	--	) 7,783	3,000,000	) 8,239	3,000,000	) 8,317
Transfer from DLA	250,000	)	--	)	--	)
Subtotal, salaries and expenses	116,909,077	7,783	124,112,478	8,239	132,612,000	8,317
Deduct allotments to other agencies	-350,000	-8	-350,000	-8	--	--
Net, salaries and expenses	116,559,077	7,775	123,762,478	8,231	132,612,000	8,317
Total	709,162,925	7,775	350,132,478	8,231	792,180,000	8,317
Obligations under other USDA appropriations:						
Soil Conservation Service:						
Watershed protection and flood prevention	641,672	46	512,000	33	516,000	33
Resource conservation and development	313,233	23	203,000	13	204,000	13
Total, Soil Conserva- tion Service	954,905	69	715,000	46	720,000	46

Available Funds and Man-Years, 1973 and Estimated 1974 and 1975 - Continued

Item	Actual 1973		Estimated Available 1974		Budget Estimate 1975	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Emergency credit revolving fund:						
Administrative	800,000	57	--	--	--	--
Agricultural credit insurance fund (emergency loan administrative funds):.....	7,991,428	574	8,220,000	537	3,690,000	210
Deduct allotments to other agencies	-58,590	-4	-60,000	-4	-60,000	-4
Net, agricultural credit insurance fund (emergency loan administrative funds)	7,932,839	570	8,160,000	533	3,630,000	206
Rural development insurance fund:						
Administration of rural electric and telephone programs	1,221,540	60	--	--	--	--
Deduct allotment to Rural Electrification Administration	-1,221,540	-60	--	--	--	--
Net, rural development insurance fund	--	--	--	--	--	--
Total, Other USDA appropriations	9,687,744	696	8,875,000	579	4,350,000	252
Total, Agricultural Appropriation Bill b/	718,850,669	8,471	359,007,478	8,810	796,530,000	8,569
Other funds:						
Other program funds from Federal sources	5,925,584	--	2,667,950	--	--	--
Other administrative funds from Federal sources	2,993,255	201	210,150	9	184,750	8
Total, Other funds ...	8,918,839	201	2,878,100	9	184,750	8
Total, Farmers Home Administration	727,769,508	8,672	361,885,578	8,819	796,714,750	8,577

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
End-of-year Employment:			
Permanent full-time	7,165	6,600	6,535
Other	1,974	3,000	3,000
Total	9,139	9,600	9,535

a/ In addition, \$58,000,250 from prior-year appropriations was available in 1973, and \$120,304,165 is available in 1974. \$100,304,165 is expected to be available in fiscal year 1975 above the amounts expected to be obligated.

b/ Excludes insured and guaranteed loans as follows:

	<u>1973</u> <u>Actual</u>	<u>1974</u> <u>Estimated</u>	<u>1975</u> <u>Estimated</u>
Agricultural Credit Insurance			
Fund	1,457,204,909	1,219,000,000	844,000,000
Rural Housing Insurance Fund...	1,853,258,020	2,144,000,000	2,122,000,000
Rural Development Insurance			
Fund	345,399,500	720,000,000	1,000,000,000
Total, Insured loans	<u>3,655,862,429</u>	<u>4,083,000,000</u>	<u>3,966,000,000</u>

FARMERS HOME ADMINISTRATION

Obligations for all Loan and Grant Programs
(Dollars in thousands)

Type of Loan	1973 Actual	1974 Estimate	1975 Estimate
Farm ownership loans (insured)	\$408,089	\$350,000	\$350,000
Recreation loans to individuals (insured)	1,193	1,500	1,500
Soil and water loans to individuals (insured)	3,975	3,000	3,000
Association loans:			
Water and waste systems (insured)	399,995	470,000	400,000
Irrigation and drainage (insured)	559	1,000	1,000
Grazing (insured)	2,450	4,000	4,000
Recreation facilities (insured)	483	500	500
Indian tribe land acquisition (insured)	3,250	10,000	10,000
Subtotal, Association loans (insured)...	406,737	485,500	415,500
Farm operating loans:			
Direct	51,678	--	--
Insured	402,942	525,000 a/	350,000
Subtotal, Farm operating loans	454,620	525,000	350,000
Rural housing building loans (individuals):			
Direct	4,568	10,000	20,000
Insured	1,735,688	1,949,600	1,923,000
Guaranteed	--	35,400	50,000
Subtotal, Rural housing building loans (individuals)	1,740,256	1,995,000	1,993,000
Rural rental housing loans:			
Insured	105,063	142,000	143,000
Guaranteed	--	2,000	3,000
Subtotal, Rural rental housing loans....	105,063	144,000	146,000
Rural housing site loans:			
Direct (self-help land development fund)....	9	900	900
Insured	2,293	5,000	3,000
Subtotal, Rural housing site loans	2,302	5,900	3,900
Farm labor housing loans (insured)	10,214	10,000	--
Emergency loans (insured)	557,766	300,000	100,000
Watershed works of improvement loans:			
Direct	1,345	--	--
Insured	18,619	20,000	20,000
Subtotal, Watershed works of improve- ment loans	19,964	20,000	20,000
Flood prevention loans (insured)	--	400	400
Resource conservation and development loans (insured)	3,284	3,600	3,600
Community facility loans (insured)	--	50,000	200,000

Obligations for all Loan and Grant Programs - Continued

Type of Loan	1973 Actual	1974 Estimate	1975 Estimate
Industrial development loans:			
Insured	--	200,000	200,000
Guaranteed	--	--	200,000
Subtotal, Industrial development loans	--	200,000	400,000
 Total, Direct Loans	57,600	10,900	20,900
Total, Insured Loans	3,655,863	4,045,600	3,713,000
Total, Guaranteed Loans	--	37,400	253,000
TOTAL LOANS	3,713,463	4,093,900	3,986,900
 <u>Type of Grant</u>			
Water and waste system grants:			
Planning	640	--	--
Development	29,330	30,000	20,000
Subtotal, Water and waste system grants	29,970	30,000	20,000
Appalachian Regional Commission grants.....	3,301	2,574	--
Department of Commerce grants	2,584	94	--
Department of Army grants	41	--	--
Farm labor housing grants	1,746	10,081 ^{a/}	--
Mutual and self-help housing grants	3,728	3,832	--
Rural development grants	--	10,000	10,000
TOTAL GRANTS	41,370	56,581	30,000
GRAND TOTAL, LOANS AND GRANTS	3,754,833	4,150,481	4,016,900

^{a/} Since the budget was printed an additional \$175 million has been released for operating loans, also, all funds in reserve for farm labor housing grants have been released.

FARMERS HOME ADMINISTRATION

Number of Loans and Grants for All Programs

Type of Loan	1973 Actual	1974 Estimate	1975 Estimate
Farm ownership loans (insured)	15,492	12,975	12,630
Recreation loans to individuals (insured)	35	42	51
Soil and water loans to individuals (insured)	756	580	540
Association loans:			
Water and waste systems (insured)	1,502	2,060	1,880
Irrigation and drainage (insured)	17	22	22
Grazing (insured)	18	45	45
Recreation facilities (insured)	9	8	14
Indian tribe land acquisition (insured) ...	4	10	11
Subtotal, Association loans (insured)...	1,550	2,145	1,972
Farm operating loans:			
Direct	6,738	--	--
Insured	44,242	51,500	36,900
Subtotal, Farm operating loans	50,980	51,500	36,900
Rural housing building loans (individuals):			
Direct	3,078	6,200	11,300
Insured	116,705	152,000	144,000
Guaranteed	--	2,100	2,800
Subtotal, Rural housing building loans (individuals)	119,783	160,300	158,100
Rural rental housing loans :			
Insured	730	1,076	1,000
Guaranteed	--	14	20
Subtotal, Rural rental housing loans....	730	1,090	1,020
Rural housing site loans:			
Direct (self-help land development fund)....	1	22	22
Insured	22	54	34
Subtotal, Rural housing site loans	23	76	56
Farm labor housing loans (insured).....	60	85	--
Emergency loans (insured)	128,667	55,500	10,300
Watershed works of improvement loans:			
Direct	11	--	--
Insured	38	74	79
Subtotal, Watershed works of improve- ment loans	49	74	79
Flood prevention loans (insured)	--	5	5
Resource conservation and development loans (insured)	27	38	38
Community facility loans (insured)	--	250	1,005

Number of Loans and Grants for All Programs - Continued

Type of Loan	1973 Actual	1974 Estimate	1975 Estimate
Industrial development loans:			
Insured	--	200	214
Guaranteed	--	--	200
Subtotal, Industrial development loans	--	200	414
 Total, Direct Loans	9,828	6,222	11,322
Total, Insured Loans	308,324	276,524	208,768
Total, Guaranteed Loans	--	2,114	3,020
TOTAL LOANS	318,152	284,860	223,110
 <u>Type of Grant</u>			
Water and waste system grants:			
Planning	44	--	--
Development	359	330	220
Subtotal, Water and waste system grants	403	330	220
Appalachian Regional Commission grants	28	20	--
Department of Commerce grants	38	2	--
Department of Army grants	2	--	--
Farm labor housing grants	8	21	--
Mutual and self-help housing grants	24	27	--
Rural development grants	--	100	100
 TOTAL GRANTS	503	500	320
GRAND TOTAL, LOANS AND GRANTS	318,655	285,360	223,430

Rural Housing Insurance Fund

(A) Direct Loan Authorization

Appropriation Act, 1974	\$10,000,000
Budget Estimate, 1975	<u>20,000,000</u>
Increase in Loan Authorization	<u>+10,000,000</u>

PROJECT STATEMENT
(On basis of authorizations)

Project	:	1973	:	1974	:	Increase	:	1975
	:		:	(estimated)	:		:	(estimated)
Direct loan authorizations:	:		:		:		:	
Very low-income repair	:		:		:		:	
loans	:	\$4,567,782	:	\$10,000,000	:	+\$10,000,000	:	\$20,000,000
Unobligated authorization	:		:		:		:	
lapsing	:	5,432,218	:	- -	:	- -	:	- -
Total, loan authorizations ...	:	10,000,000	:	10,000,000	:	+10,000,000	:	20,000,000

EXPLANATION OF PROGRAM

Direct rural housing loans to individuals may be made on farms, in the open country, and in towns of not more than 10,000 population that are rural in character. In the case of applicants who are deficient in repayment ability, cosigners on promissory notes are permitted.

Direct repair and improvement loans not in excess of \$2,500 are made to very low-income families who are owners of farms or nonfarm rural property to repair or improve their dwellings and essential farm buildings in order to make them safe and sanitary and to remove health hazards to the families and the community. Loans which involve water supply, septic tanks, or bathroom and kitchen plumbing facilities may be made in amounts not in excess of \$3,500. These loans are made at one percent interest and are repayable in not more than 15 years.

JUSTIFICATION OF INCREASE

(1) An increase of \$10,000,000 for very-low income housing repair loans. The increase requested reflects current housing policy which encourages rehabilitation and repair of existing housing. An estimated 10,200 dwellings would be repaired or rehabilitated in fiscal year 1975, an increase of 4,700 over the fiscal year 1974 estimate.

(B) Reimbursement for Losses

Appropriation Act, 1974	\$89,170,000
Budget Estimate, 1975	<u>124,592,000</u>
Increase in Appropriation	<u>+35,422,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974	Increases	1975
		(estimated)		(estimated)
Reimbursement of additional yield to investors for loans insured after August 1, 1968, (Sec. 521c) of Housing Act	\$39,752,000	\$53,342,000	+\$21,551,000	\$74,893,000
Reimbursement for other losses	11,709,000	35,828,000	+13,871,000	49,699,000
Total	51,461,000	89,170,000	+35,422,000(1)	124,592,000

EXPLANATION OF PROGRAM

Section 521(c) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers.

In addition, as authorized by section 517(e) of the Act, it is necessary to request an appropriation to restore all other losses to the fund, exclusive of provision for future losses, unfunded costs, and imputed interest.

JUSTIFICATION OF INCREASE

(1) An increase of \$35,422,000 for reimbursement of losses (\$89,170,000 appropriated in 1974).

The amount requested will reimburse the Rural Housing Insurance Fund for losses incurred through June 30, 1973, including actual payments made to investors in January of 1973.

An analysis of the accrued operating deficit, exclusive of provision for future losses, unfunded costs, and imputed interest, is as follows:

	1973	1974	1975
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
	(---Dollars in thousands---		
<u>OPERATING INCOME</u>			
Interest income:			
Interest on investments	\$1,712	\$2,466	\$2,899
Interest on loans receivable	25,830	26,000	16,000
Insurance charges	8,815	15,000	22,000
Other interest income	24	30	50
Other income	948	1,203	1,053
Total operating income	37,329	44,699	42,002

	1973 <u>Actual</u> (---Dollars in thousands---)	1974 <u>Estimated</u>	1975 <u>Estimated</u>
OPERATING EXPENSE			
Interest expense:			
Interest on Treasury borrowings	-\$8,488	-\$9,000	-\$9,000
Interest on participation certificates	-10,909	-9,257	-9,257
Interest on withheld collections	-28,503	-55,000	-70,000
Premium interest to investors	-53,900	-78,000	-80,000
Interest credits on loans receivable	-51,003	-75,000	-80,000
Write-off of interest receivable	-144	-214	-314
Other expense:			
Administrative expense	- -	-3,000	-3,000
Amortized discount on			
participation certificates	-10	-10	-10
Insured Loan sales expense	-5,253	-5,131	-4,521
Write-off of loans and other			
receivables	-6,603	-2,620	-3,275
Other	-791	-2,100	-2,350
Total operating expense	<u>-165,605</u>	<u>-239,332</u>	<u>-261,727</u>
Operating surplus or deficit (-)	-128,276	-194,633	-219,725
Less: Amounts recovered for participa-			
tion certificate transactions	3,683	2,001	2,268
Net surplus or deficit (-)	<u>-124,592</u>	<u>-192,632</u>	<u>-217,457</u>

In accordance with the accounting principles and standards followed by FHA, the previous schedule is prepared on an accrual basis. The following schedule summarizes the change in the cash position of the fund:

	1973 <u>Actual</u> (---Dollars in thousands---)	1974 <u>Estimated</u>	1975 <u>Estimated</u>
Cash balance, beginning of year.....	<u>\$134,951</u>	<u>\$399,249</u>	<u>\$310,887</u>
Funds for program operations:			
Funds received:			
Repayments on loans	35,991	91,050	84,580
Payment of interest on loans	8,515	24,730	15,188
Sale of loans	1,865,516	2,395,692	2,744,362
Collections received for investors ...	568,806	644,965	910,100
Insurance premiums	6,762	11,500	16,900
Other receipts	35,851	16,356	21,530
Total funds received	<u>2,521,441</u>	<u>3,184,293</u>	<u>3,792,660</u>
Funds expended:			
Loans made by the fund	-1,654,975	-2,207,000	-2,130,500
Loans purchased from investors	-134,782	-346,500	-346,500
Collections disbursed to investors ...	-360,329	-604,819	-876,553
Interest on borrowings from Treasury..	-8,536	-9,000	-9,000
Interest on withheld collections	-2,673	-3,300	-4,200
Premium interest paid investors	-55,166	-71,366	-86,000
Interest credits on loans	-36,077	-53,250	-56,800
Administrative expense	- -	-3,000	-3,000
Interest transferred on			
participation certificates	-8,739	-8,172	-6,679
Insured loan sales expense	-5,415	-5,120	-4,510
Other expense	-22,948	-31,700	-38,550
Total funds expended	<u>-2,289,640</u>	<u>-3,343,227</u>	<u>-3,562,292</u>
Outlays a/	<u>231,801</u>	<u>-158,934</u>	<u>230,368</u>

	1973 <u>Actual</u> (----Dollars in thousands---)	1974 <u>Estimated</u>	1975 <u>Estimated</u>
Funds for financing:			
Appropriation for reimbursement of losses....	\$51,461	\$89,170	\$124,592
Funds for payment of sales insufficiencies...	3,684	2,001	2,268
Principal transferred on participation certificates	-22,648	-20,599	-16,507
Net financing	<u>32,497</u>	<u>70,572</u>	<u>110,353</u>
Cash balance, end of year	<u>399,249</u>	<u>310,887</u>	<u>651,608</u>

a/ A negative amount represents expenditures in excess of receipts. A positive amount represents receipts in excess of expenditures.

As of June 30, 1973, the unpaid principal balance of insured loans held by investors totaled \$5,883.3 million. The projected liability for premium interest on these loans held by investors through the end of the holding period is estimated to be \$306.6 million.

(C) Insured and Guaranteed Loans

The following table, while similar in format to one appearing on pages 171 and 172 of the Budget, is based on later information.

RURAL HOUSING LOANS - OBLIGATIONS
(Dollars in millions)

	<u>1973 actual</u>		<u>1974 estimate</u>		<u>Change</u>	<u>1975 estimate</u>	
	<u>No. of</u>		<u>No. of</u>		<u>1975 Amount</u>	<u>No. of</u>	
	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>over 1974</u>	<u>Units</u>	<u>Amount</u>
SUBSIDIZED HOUSING ASSISTANCE:							
Low Income Housing Loans to Individuals (Insured):							
For purchase of new houses	45,003	\$758.0	27,500	\$500.0	-\$100.0(1)	20,400	\$400.0
For purchase of existing houses..	6,319	91.6	36,300	568.0	+18.0(1)	34,700	586.0
a/ For housing repairs and rehabilitation.	1,983	4.1	43,575	122.0	+28.0(1)	50,000	150.0
Very low income housing repair loans (Direct)...	<u>2,748</u>	<u>4.6</u>	<u>5,500</u>	<u>10.0</u>	<u>+10.0(b)</u>	<u>10,200</u>	<u>20.0</u>
Subtotal, repair and rehabilitation	4,731	8.7	49,075	132.0	+38.0	60,200	170.0
Rural Rental Housing Loans (Insured)....	5,877	72.2	7,500	100.0	- -	7,000	100.0
Farm Labor Housing Loans (Insured) ...	<u>812</u>	<u>10.2</u>	<u>750</u>	<u>10.0</u>	<u>-10.0(2)</u>	<u>- -</u>	<u>- -</u>
Subtotal, Subsidized Housing Assistance.	<u>62,742</u>	<u>940.7</u>	<u>121,125</u>	<u>1,310.0</u>	<u>-54.0</u>	<u>122,300</u>	<u>1,256.0</u>

	<u>1973 actual</u>		<u>1974 estimate</u>		<u>Change</u>	<u>1975 estimate</u>	
	<u>No. of</u>		<u>No. of</u>		<u>1975 Amount</u>	<u>No. of</u>	
	<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	<u>over 1974</u>	<u>Units</u>	<u>Amount</u>
UNSUBSIDIZED HOUSING ASSISTANCE:							
Low Income Housing Loans to Individuals (Insured).....	13,672	\$190.9	6,400	\$88.0	+\$5.0 (3)	6,300	\$93.0
Moderate Income Housing Loans to Individuals:							
(Insured)	40,499	691.1	39,000	671.6	+22.4 (3)	37,500	694.0
(Guaranteed).....	- -	- -	2,000	35.4	+14.6 (3)	2,700	50.0
Rural Housing Site Loans(Insured)....	- -	2.3	- -	5.0	-2.0 (3)	- -	3.0
Rural Rental Housing Loans:							
(Insured)	2,882	32.8	3,400	42.0	+1.0 (3)	3,300	43.0
(Guaranteed)....	- -	- -	150	2.0	+1.0 (3)	250	3.0
Subtotal, Unsubsidized Housing Assistance..	<u>57,053</u>	<u>917.1</u>	<u>50,950</u>	<u>844.0</u>	<u>+42.0</u>	<u>50,050</u>	<u>886.0</u>
TOTAL	<u>119,795</u>	<u>1,857.8</u>	<u>172,075</u>	<u>2,154.0</u>	<u>-12.0</u>	<u>172,350</u>	<u>2,142.0</u>

a/ Some of these units are also included under "For purchase of existing houses," since this category includes houses repaired or rehabilitated, whether or not the repair is financed simultaneously with a purchase. Dollar amounts reflect only the repair cost involved.

b/ Justified previously under "Direct Loan Authorization."

Note: The program levels and number of units estimated for fiscal years 1974 and 1975 reflect a major shift in program emphasis.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund was established under the authority contained in section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An appropriation of \$100,000,000 was provided by the Supplemental Appropriation Act, 1966 (Public Law 89-309) to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural Housing Direct Loan Account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

Rural housing building and repair loans. Loans to individuals are made to enable eligible applicants in rural areas to construct, improve, alter, repair or replace dwellings. If the borrowers are persons of low or moderate incomes, and if their need for necessary housing cannot be met with financial assistance from other sources, including assistance available under section 235 of the National Housing Act, the loans made by the Farmers Home Administration currently bear interest at 8-1/4 percent with provisions for interest credits up to 7-1/4 percent under

certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design and cost. Insured building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are repayable in not more than 33 years. Loans are limited to rural areas which include towns, villages or other rural places with a population up to 10,000, which are not part of an urban area.

Rural rental and cooperative housing loans. Loans are authorized to be made to individuals, corporations, associations, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low and moderate incomes in rural areas. These loans are repayable in not more than 50 years and currently bear interest at 8-1/4 percent with provision for interest credits up to 7-1/4 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources, including assistance under section 236 of the National Housing Act. No loan may exceed \$750,000. Loans are limited to rural areas which include towns, villages or other rural places with a population up to 10,000, which are not part of an urban area.

Farm labor housing loans. Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations or to a nonprofit organization of farm workers incorporated within a State to provide modest living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. These loans are repayable in not more than 33 years and bear interest not in excess of one percent. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of \$54 million for subsidized low income rural housing loans to individuals (\$1,190 million available in 1974) consisting of:

Purchase of new houses	-\$100,000,000
Purchase of existing houses	+18,000,000
Housing repairs and rehabilitation ..	+28,000,000

Subsidized housing programs have proven to be costly. In fiscal year 1973, interest credits were granted at a cost of approximately \$51 million. It is estimated that such costs will increase to \$80 million by 1975, primarily for low income rural housing loans. As a result, the Budget provides for implementation of an interim rural housing policy which moves in the direction supported by the President's housing study through greater emphasis on using existing housing and home repairs and rehabilitation and, in addition, makes Farmers Home Administration programs more available to persons with the greatest housing need. This action is being taken pending completion of the HUD experimental housing program.

(2) A decrease of \$10 million for subsidized farm labor housing loans (\$10 million available in 1974). Each year, more families settle out of the migratory stream and put down roots in a community, even though they continue to do seasonal farm labor. Such families need permanent housing and many are becoming homeowners through other housing programs. The 1 percent labor housing loan program, with a grant provision of up to 90 percent of the development cost for organizations, provides a very deep and costly grant and subsidy program. No funds are requested in 1975 because it is believed the Government's proper role can best be served by other programs. Furthermore, with increased income to farmers, loan funds in the open market should become more available for this type of construction.

(3) A net increase of \$42 million for unsubsidized housing assistance (\$844 million available in 1974) consisting of:

Low income rural housing	
loans to individuals	+\$5,000,000
Moderate income rural housing	
loans to individuals	+37,000,000
Rural rental housing loans	+2,000,000
Rural housing site loans	-2,000,000

The above increases are necessary to provide for increased housing costs and to enable the Farmers Home Administration to make assistance available for the construction or transfer of approximately the same number of units in 1975 as is anticipated in 1974.

The decrease of \$2 million for rural housing site loans (\$5 million available in 1974) is made since program history indicates that a level of \$3 million is adequate for this program. In fiscal year 1973, \$5 million was made available, but only \$2.3 million was obligated.

STATUS OF PROGRAM

Direct Loans

During fiscal year 1973, a total of \$4,567,782 was obligated for 3,078 direct very low income housing repair loans, including \$52,512 for loan cost items from the authorization to make such loans. The appropriation act for 1974 provided authority to use \$10,000,000 from funds available in the Rural Housing Insurance Fund for direct rural housing loans, as shown in the following table:

	<u>1973 Actual</u>		<u>1974 Estimate</u>	
	<u>Number</u>	<u>Amount</u> (Thousands)	<u>Number</u>	<u>Amount</u> (Thousands)
Very low income housing repair loans (sec. 504):				
Initial	2,596	\$4,133	5,300	\$9,200
Subsequent	482	383	900	800
Recoverable costs	- -	52	- -	- -
Total	3,078	4,568	6,200	10,000

Some direct rural housing loans have been converted to insured loans pursuant to Public Law 91-152. Direct rural housing loans are made with an annual common maturity date of January 1. As of January 1, 1973, \$618,949,168 had been advanced to 116,027 borrowers under the direct housing program. Principal payments of \$444,498,046 and interest payments of \$169,598,245 had been made. The principal and interest payments included contributions in the amount of \$155,184, which were applied to some borrowers' accounts with section 503 loans to assist them in developing adequate farms. Principal write-offs and judgments totaled \$5,522,130.

By January 1, 1973, 62,679 borrowers had paid their direct rural housing loans in full. As of the same date, cumulative annual installments in the amount of \$184,941,784 were due from the 53,348 borrowers with outstanding loan balances. The regular principal and interest payments on these installments were \$186,302,670. This represents cumulative regular payments to cumulative installments of 101 percent. Extra payments and refunds of \$3,848,885 were also applied to those borrowers' accounts. On January 1, 64 percent of the total borrowers with outstanding loan balances were ahead of schedule an average of \$155 and 16 percent were behind schedule an average of \$439.

Insured and Guaranteed Loans

The following table shows the number and amount of insured and guaranteed rural housing loans made in 1973 and estimates for the 1974 fiscal year.

	<u>1973 Actual</u>		<u>1974 Estimate</u>	
	<u>Number</u>	<u>Amount</u> (Thousands)	<u>Number</u>	<u>Amount</u> (Thousands)
Rural housing building loans (sec. 502):				
Initial	109,183	\$1,708,247	146,300	\$1,960,000
Subsequent	7,522	27,441	7,800	25,000
Rural housing site loans (sec. 524):				
Initial	20	2,283	49	4,900
Subsequent	2	10	5	100
Rural rental housing loans (sec. 515):				
Initial	546	87,887	847	127,000
Subsequent	184	17,176	243	17,000

	1973 Actual		1974 Estimate	
	<u>Number</u>	<u>Amount</u> (Thousands)	<u>Number</u>	<u>Amount</u> (Thousands)
Farm labor housing loans (sec. 514):				
Initial	50	3,753	56	5,600
Subsequent	10	6,461	29	4,400
Total	117,517	1,853,258	155,329	2,144,000

As of January 1, 1973, \$6,192,719,704 had been advanced under the insured rural housing loan program to 507,590 borrowers. Payments totaled \$1,451,654,074 including \$399,497,501 in principal and \$773,938,160 interest. The 472,456 borrowers with outstanding balances had paid four percent more than the \$1,058,662,154 due on January 1. Sixty-four percent of the borrowers were ahead of schedule in their payments, 20 percent on schedule and 16 percent behind schedule.

Of the \$130,171,837 loaned to 1,889 borrowers for insured rental housing projects, \$6,923,766 had been repaid in principal as of January 1, 1973. Interest payments totaled \$13,690,097.

The labor housing loan advances totaled \$19,691,017 on January 1, 1973. The 224 borrowers, including 58 organizations, had made principal and interest payments of \$4,063,577.

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Table I - Total Very Low Income Housing Repair Loans - Funds Obligated and Furnished by Borrowers,
and Use of Funds, 1973 Fiscal Year
(Dollars in Thousands)

State and Territory	Initial loans to borrowers									Subsequent loans to borrowers		Total amount of loans
	Number	Amount of funds			Use of funds					Number	Amount including loan costs 1/	
		Loans	Furnished by borrower	Total	Dwellings repaired		Other buildings repaired	Water systems	Fees			
					Number	Amount						
	1	2	3	4	5	6	7	8	9	10	11	12
U.S. TOTAL												
Percent Distribution												
Amount	2,595	\$4,133	\$40	\$4,173	2,336	\$3,578	\$30	\$545	\$19	482	\$384	\$4,517
Alabama	167	310	1	311	149	258	1	51	1	38	39	349
Arizona	3	6	*	6	2	4	0	2	0	0	0	6
Arkansas	91	178	1	179	74	140	6	32	2	17	15	193
California	10	14	*	14	8	10	0	3	0	0	0	14
Colorado	25	53	7	60	24	55	0	5	0	2	2	55
Delaware	1	4	0	4	1	4	0	0	0	0	0	4
Florida	9	8	*	8	8	7	0	1	0	1	*	8
Georgia	68	115	*	115	58	99	0	15	1	14	9	124
Hawaii	1	4	0	4	1	4	0	0	0	0	0	4
Idaho	6	8	*	8	4	6	1	1	0	0	0	8
Illinois	7	11	0	11	7	11	0	0	0	3	2	13
Indiana	3	2	0	2	3	2	0	0	0	6	3	5
Iowa	36	46	*	46	36	45	0	1	0	2	1	47
Kansas	12	13	2	15	9	13	0	2	0	1	*	13
Kentucky	395	597	5	602	367	517	0	84	2	90	64	661
Louisiana	89	99	1	100	75	85	1	14	1	8	5	104
Maine	44	94	*	94	38	66	2	26	0	9	8	102
Maryland	18	32	*	32	15	28	0	4	0	1	*	32
Michigan	10	12	0	12	9	10	0	2	0	3	3	15
Minnesota	16	27	*	27	16	22	1	4	0	0	0	27
Mississippi	85	151	1	152	68	128	0	23	1	16	11	162
Missouri	132	179	1	180	113	132	1	47	0	40	25	204
Montana	2	2	0	2	2	2	0	0	0	0	0	2
Nebraska	2	3	*	3	2	2	0	0	0	1	1	4
Nevada	1	2	0	2	1	1	0	0	0	0	0	2
New Hampshire	3	7	0	7	2	3	0	3	0	1	1	8
New Jersey	2	2	0	2	2	2	0	0	0	0	0	2
New Mexico	149	271	2	273	134	223	0	49	0	47	49	320
New York	13	23	*	23	9	16	0	8	0	0	0	23
North Carolina	101	204	1	205	98	192	0	12	2	15	16	220
North Dakota	6	8	7	15	6	14	0	0	1	5	2	10
Ohio	19	35	1	36	16	30	0	5	0	7	8	43
Oklahoma	26	50	3	53	25	49	0	5	0	5	3	53
Oregon	6	9	0	9	5	6	0	3	0	0	0	9
Pennsylvania	39	65	*	65	37	58	0	6	1	10	9	74
South Carolina	41	70	*	70	36	61	2	7	1	7	10	80
South Dakota	7	12	*	12	7	11	0	1	0	4	3	15
Tennessee	75	123	*	123	67	99	0	23	1	19	14	137
Texas	596	828	5	833	539	756	10	65	2	78	52	880
Utah	4	10	0	10	3	6	0	3	0	1	1	11
Vermont	15	26	0	26	14	21	0	5	0	3	2	28
Virginia	45	99	1	100	40	80	0	18	2	6	6	105
Washington	3	5	*	5	3	5	0	0	0	0	0	5
West Virginia	73	112	*	112	71	104	0	7	0	10	10	122
Wisconsin	7	8	*	8	4	3	1	4	0	4	4	12
Wyoming	2	6	0	6	2	5	0	1	0	0	0	6
Puerto Rico	129	186	1	187	125	179	4	3	1	8	6	192
Virgin Islands	1	4	0	4	1	4	0	0	0	0	0	4

^{1/} "Loan Costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc.

* Less than \$500.

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Table II - Total Low-Moderate Individual Rural Housing Loans - Funds Obligated and Furnished by the Borrowers,
and Use of Funds, 1973 Fiscal Year
(Dollars in Thousands)

State and Territory	Initial loans to borrowers									Subsequent loans to borrowers		Total amount of loans
	Number	Amount of funds			Use of funds					Number	Amount	
		Loans	Furnished by borrower	Total	Dwellings	Other buildings, new, purchase, refinance and/or repair	Water systems	Land purchase	Fees			
1	2	3	4	5	6	7	8	9	10	11	12	
U.S. TOTAL												
Percent Distribution				100.0%	93.4%	2.4%	0.6%	2.5%	1.1%			
Amount	109,184	\$1,708,248	\$32,137	\$1,740,385	\$1,625,985	\$40,947	\$11,069	\$43,457	\$18,927	7,522	27,441	\$1,735,689
Alabama	4,030	54,122	1,196	55,318	53,009	883	480	455	491	177	655	54,777
Alaska	54	1,488	42	1,530	1,478	0	14	32	6	17	112	1,600
Arizona	1,876	30,000	259	30,259	25,873	187	35	3,729	434	68	146	30,146
Arkansas	4,102	56,179	839	57,018	53,283	2,130	349	737	520	267	1,562	57,741
California	2,927	51,849	542	52,391	50,171	139	55	1,415	611	83	240	52,089
Colorado	709	11,741	213	11,954	11,427	111	20	266	130	38	76	11,817
Connecticut	252	4,725	151	4,876	4,671	25	32	95	52	20	67	4,792
Delaware	358	6,283	53	6,336	5,790	21	0	407	118	35	31	6,314
Florida	3,617	60,256	516	60,772	58,397	192	168	1,513	503	55	126	60,382
Georgia	3,535	52,778	699	53,477	50,470	662	570	1,066	708	157	438	53,216
Hawaii	436	10,708	343	11,051	9,516	22	42	1,328	143	3	15	10,723
Idaho	2,276	41,009	626	41,635	38,502	1,560	374	857	344	139	606	41,615
Illinois	2,741	44,341	722	45,063	42,503	1,037	56	1,034	433	175	586	44,927
Indiana	2,824	42,452	450	42,902	41,917	491	10	146	338	182	435	42,887
Iowa	2,754	34,065	1,374	35,439	33,260	1,440	88	265	387	266	842	34,907
Kansas	1,178	14,761	525	15,286	14,341	621	47	121	156	76	230	14,991
Kentucky	2,383	35,402	1,022	36,424	34,418	959	227	494	325	139	474	35,876
Louisiana	1,264	17,381	207	17,588	16,891	68	57	338	233	28	77	17,458
Maine	2,494	42,960	358	43,318	40,635	886	535	674	588	382	1,472	44,432
Maryland	1,088	17,628	403	18,031	16,170	714	36	789	321	93	219	17,847
Massachusetts	326	5,693	115	5,808	5,577	33	35	97	66	24	54	5,747
Michigan	3,994	72,890	2,002	74,892	70,928	1,694	173	1,249	848	169	528	73,418
Minnesota	1,497	22,813	842	23,655	19,759	3,185	137	370	205	118	873	23,686
Mississippi	5,597	82,689	800	83,489	79,455	330	672	1,980	1,052	325	1,084	83,773
Missouri	3,119	43,029	590	43,619	40,207	2,041	378	751	243	309	1,372	44,401
Montana	333	4,789	192	4,981	4,541	342	36	28	35	24	87	4,876
Nebraska	639	9,139	435	9,574	8,784	509	55	172	53	72	294	9,433
Nevada	101	2,064	23	2,087	2,051	0	12	16	8	3	5	2,069
New Hampshire	530	8,445	170	8,615	8,188	174	41	134	78	94	213	8,658
New Jersey	824	14,946	579	15,525	14,098	99	11	1,026	292	106	208	15,154
New Mexico	744	10,330	114	10,444	9,765	42	80	494	63	28	62	10,392
New York	2,773	43,975	2,586	46,561	41,645	1,693	104	2,305	813	351	1,041	45,016
North Carolina	6,464	108,245	1,720	109,965	103,715	1,143	1,338	2,542	1,228	593	1,243	109,488
North Dakota	1,025	15,009	420	15,429	12,788	1,629	185	644	184	159	941	15,950
Ohio	3,556	59,733	542	60,275	58,511	845	21	487	410	185	453	60,216
Oklahoma	2,731	35,604	793	36,397	34,744	852	108	491	203	126	440	36,044
Oregon	734	12,811	108	12,919	12,291	276	29	202	121	44	148	12,959
Pennsylvania	2,679	40,194	1,049	41,243	36,992	1,636	441	1,499	675	264	591	40,785
Rhode Island	89	1,447	19	1,466	1,347	3	30	69	16	6	10	1,457
South Carolina	4,428	68,778	547	69,325	65,057	35	1,096	2,210	927	147	327	69,105
South Dakota	906	10,096	488	10,584	8,466	1,834	106	75	102	131	761	10,857
Tennessee	4,395	61,274	1,421	62,695	60,257	633	509	761	534	270	814	62,088
Texas	3,107	45,094	1,000	46,094	44,391	709	141	586	267	144	786	45,880
Utah	780	12,976	354	13,330	12,470	141	26	621	71	46	171	13,147
Vermont	773	11,999	220	12,219	10,815	1,022	97	150	135	161	537	12,536
Virginia	6,886	121,125	431	121,556	113,934	362	1,397	3,929	1,934	344	731	121,856
Washington	1,808	29,873	200	30,073	28,348	661	57	699	308	124	441	30,314
West Virginia	2,545	39,800	1,231	41,031	39,632	46	131	772	449	153	455	40,255
Wisconsin	2,279	37,014	953	37,967	29,851	6,578	399	734	406	492	4,050	41,064
Wyoming	424	6,622	233	6,855	6,473	245	26	58	53	51	199	6,821
Puerto Rico	2,123	38,238	1,397	39,635	36,798	7	3	2,528	299	58	81	38,319
Virgin Islands	77	1,386	23	1,409	1,385	0	0	17	8	1	2	1,388

Note: In addition, the following loans and grants were obligated: Insured Labor Housing - 50 initial loans for \$3,753,250 and 10 subsequent loans for \$6,461,010 and 3 initial grants for \$1,273,800 and 5 subsequent grants for \$472,130; Insured Rural Rental Housing - 546 initial loans for \$87,886,880 and 184 subsequent loans for \$17,175,750; Insured Rural Housing Site Loans - 20 initial for \$2,283,120 and 2 subsequent for \$9,520.

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 Table III - Rural Housing (Sections 502, 503 and 504) Loans - Number of Borrowers, Amount Loaned and Payments,
 Cumulative Through January 1, 1973
 (Dollars in Thousands)

State and Territory	Total number of borrowers 1/	Total amount loaned	Borrowers paid in full or otherwise satisfied				Borrowers with unpaid balance as of January 1, 1973					
			Number	Payments		Interest and insurance charges 3/	Number	Scheduled installments (principal and interest)	Principal and interest payments			
				Total	Principal 2/				Total	Regular and advance payments made on scheduled installments	Extra payments and refunds	
												Amount	As percent of schedule
	1	2	3	4	5	6	7	8	9	10	11	12
U.S. TOTAL	625,832	\$6,811,669	97,813	\$836,835	\$695,010	\$141,825	525,804	\$1,191,712	\$1,228,916	\$1,206,574	101	\$22,342
Alabama	29,045	282,771	4,301	35,439	29,363	6,076	24,606	57,785	59,665	58,839	102	826
Alaska	903	15,248	182	2,986	2,475	511	709	3,835	3,780	3,699	96	81
Arizona	6,517	89,760	363	3,901	3,221	680	6,122	9,872	9,399	9,248	94	151
Arkansas	30,964	285,020	5,334	36,668	31,002	5,666	25,525	48,915	50,646	49,759	102	887
California	8,847	120,028	1,294	14,492	11,940	2,552	7,535	14,417	14,393	13,959	97	434
Colorado	4,262	42,556	1,096	10,649	8,768	1,881	3,137	7,355	7,554	7,367	100	187
Connecticut	1,370	20,420	227	3,011	2,591	420	1,141	3,357	3,438	3,395	101	43
Delaware	1,275	19,316	69	861	727	134	1,206	2,474	2,532	2,444	99	88
Florida	12,309	135,209	2,390	22,772	18,442	4,330	9,829	23,813	24,494	24,067	101	427
Georgia	27,085	300,309	4,356	38,939	31,849	7,090	22,651	53,506	55,043	53,964	101	1,079
Hawaii	2,347	39,527	313	4,267	3,508	759	2,031	7,345	7,716	7,642	104	74
Idaho	7,974	109,683	1,091	12,096	9,793	2,303	6,816	16,539	16,955	16,669	101	286
Illinois	12,253	141,755	1,854	16,859	14,050	2,809	10,384	25,114	25,667	25,324	101	343
Indiana	14,859	177,139	1,849	19,217	16,360	2,857	12,975	25,276	25,942	25,541	101	401
Iowa	12,781	131,631	2,153	20,900	17,320	3,580	10,598	24,219	25,389	25,076	104	313
Kansas	7,529	71,976	1,559	13,611	11,259	2,352	5,920	14,414	15,018	14,717	102	301
Kentucky	20,268	199,243	3,231	26,890	22,956	3,934	17,016	40,993	43,234	42,472	104	762
Louisiana	11,807	110,071	2,222	17,996	14,439	3,557	9,502	23,389	24,498	24,171	103	327
Maine	13,669	143,005	2,742	20,723	17,587	3,136	10,900	21,388	21,674	21,239	99	435
Maryland	4,952	68,497	664	7,273	6,081	1,192	4,282	11,893	12,246	12,082	102	164
Massachusetts	1,133	16,063	145	1,374	1,178	196	987	1,861	1,871	1,820	98	51
Michigan	14,300	199,268	1,949	20,009	16,559	3,450	12,308	25,737	26,329	25,753	100	576
Minnesota	10,235	108,455	1,838	14,745	12,145	2,600	8,331	21,314	22,173	21,833	102	340
Mississippi	42,308	403,662	5,814	41,950	34,858	7,092	36,286	85,576	88,004	86,087	101	1,917
Missouri	28,027	261,554	6,556	44,621	37,194	7,427	21,292	45,282	47,363	45,864	101	1,499
Montana	2,532	26,717	779	7,881	6,395	1,486	1,732	5,962	6,125	5,968	100	157
Nebraska	5,350	49,673	1,157	9,082	7,528	1,554	4,164	10,220	10,706	10,519	103	187
Nevada	435	6,556	63	694	557	137	371	1,050	1,081	1,044	99	37
New Hampshire	2,421	30,379	306	3,333	2,908	425	2,113	4,286	4,430	4,343	101	87
New Jersey	7,012	89,712	1,158	14,156	11,989	2,167	5,842	17,607	18,103	17,747	101	356
New Mexico	4,977	37,429	1,115	6,440	5,339	1,101	3,824	6,748	7,186	7,078	105	108
New York	13,343	164,044	1,522	15,981	13,468	2,513	11,808	30,429	29,695	29,068	96	627
North Carolina	36,781	427,017	4,102	39,424	32,375	7,049	32,615	77,167	81,412	80,649	105	763
North Dakota	7,025	79,090	1,294	14,173	11,516	2,657	5,682	16,053	16,396	16,122	101	274
Ohio	12,662	163,140	1,371	13,348	11,306	2,042	11,279	20,198	20,041	19,746	98	295
Oklahoma	17,938	184,600	3,036	24,724	20,346	4,378	14,817	35,521	36,051	35,554	100	497
Oregon	4,385	54,270	1,076	11,698	9,694	2,004	3,275	7,951	8,186	7,943	100	243
Pennsylvania	9,935	121,222	1,598	12,241	10,322	1,919	8,313	19,697	20,545	19,813	101	732
Rhode Island	397	5,582	56	678	584	94	341	801	880	809	101	71
South Carolina	27,889	339,224	2,431	23,587	19,500	4,087	25,406	51,045	51,068	50,208	98	860
South Dakota	5,636	51,405	1,082	8,564	6,950	1,614	4,516	11,522	11,866	11,615	101	251
Tennessee	27,950	277,906	4,647	38,172	31,729	6,443	23,217	54,778	56,988	56,229	103	759
Texas	38,111	328,405	6,832	41,483	34,570	6,913	31,185	66,385	69,299	67,691	102	1,608
Utah	5,113	61,397	879	9,540	7,710	1,830	4,188	13,130	13,787	13,562	103	225
Vermont	4,186	50,389	649	7,237	6,321	916	3,537	7,777	7,996	7,900	102	96
Virginia	19,046	248,089	1,384	14,762	12,147	2,615	17,649	32,200	33,151	32,591	101	560
Washington	7,724	105,914	1,207	14,087	11,569	2,518	6,479	15,559	15,154	14,924	96	230
West Virginia	11,327	125,374	1,596	13,960	11,756	2,204	9,693	22,198	23,846	23,537	106	309
Wisconsin	14,672	180,168	2,502	22,988	19,094	3,894	12,119	28,381	29,586	28,945	102	641
Wyoming	2,711	31,842	521	5,183	4,279	904	2,164	6,160	6,375	6,320	103	55
Puerto Rico	8,743	72,333	1,813	10,632	8,925	1,707	6,919	11,605	12,233	11,949	103	284
Virgin Islands	512	7,626	45	536	466	70	467	1,606	1,698	1,665	104	33

1/ Includes 2,215 borrowers transferred through assumption agreements.

2/ Includes writeoffs totaling \$4,783,683 and judgments totaling \$738,447.

3/ Includes writeoffs totaling \$228,624 and judgments totaling \$36,066.

NOTE: Sum of amounts may not equal U.S. total due to rounding.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION

 Table IV - Rental Housing Loans - Number of Borrowers, Amount Loaned and Payments,
 Cumulative Through January 1, 1973
 (Dollars in Thousands)

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied 1/				Borrowers with unpaid balance as of January 1, 1973					
			Number	Payments		Interest and insurance charges	Number	Scheduled installments (principal and interest)	Principal and interest payments			Extra payments and refunds
				Total	Principal 2/				Total	Regular and advance payments made on scheduled installments	As percent of schedule	
	1	2	3	4	5	6	7	8	9	10	11	12
U.S. TOTAL	2,025	\$146,550	111	\$3,918	\$3,441	\$477	1,914	\$19,673	\$19,437	\$18,990	97	\$447
Alabama	88	6,978	5	101	92	9	83	1,230	1,268	1,242	101	26
Alaska	3	180	1	74	65	9	2	25	25	25	100	0
Arizona	9	379	0	0	0	0	9	59	53	53	90	0
Arkansas	46	3,102	4	215	157	58	42	490	495	490	100	5
California	17	1,440	2	172	151	21	15	182	175	173	95	2
Colorado	14	705	0	0	0	0	14	101	103	100	99	3
Connecticut	31	2,529	4	170	158	12	27	507	437	434	86	3
Florida	5	318	1	11	8	3	4	57	58	58	102	0
Georgia	35	1,721	4	91	83	8	31	342	341	340	99	1
Hawaii	5	98	1	26	24	2	4	9	8	8	89	*
Idaho	52	3,974	0	0	0	0	52	598	590	589	98	1
Illinois	47	3,341	0	0	0	0	47	523	520	520	99	*
Indiana	25	2,116	0	0	0	0	25	205	211	211	103	0
Iowa	308	17,383	9	219	202	17	299	1,893	1,925	1,906	101	19
Kansas	27	2,654	0	0	0	0	27	373	335	333	89	2
Kentucky	10	406	3	80	63	17	7	64	65	65	102	0
Louisiana	15	649	2	13	10	3	13	114	88	87	76	1
Maine	45	3,899	6	186	169	17	39	315	303	291	92	12
Maryland	1	50	0	0	0	0	1	9	9	9	100	0
Massachusetts	6	253	1	4	4	*	5	32	30	30	94	0
Michigan	57	4,028	3	68	61	7	54	505	574	489	97	85
Minnesota	86	7,431	0	0	0	0	86	1,013	1,003	992	98	11
Mississippi	53	5,167	1	132	119	13	52	723	771	727	101	44
Missouri	156	16,845	5	203	163	40	151	1,981	1,975	1,967	99	8
Montana	4	311	0	0	0	0	4	34	34	33	97	1
Nebraska	22	866	2	14	13	1	20	146	151	148	101	3
Nevada	1	134	0	0	0	0	1	4	4	4	100	0
New Hampshire	14	1,134	3	42	38	4	11	96	94	94	98	0
New Jersey	6	688	1	13	2	11	5	304	220	220	72	0
New Mexico	9	502	1	43	39	4	8	46	47	47	102	0
New York	4	176	0	0	0	0	4	202	57	57	28	0
North Carolina	89	3,954	12	502	449	53	77	664	690	675	102	15
North Dakota	105	7,661	1	42	34	8	104	1,032	1,020	1,011	98	9
Ohio	29	2,641	0	0	0	0	29	312	241	240	77	1
Oklahoma	46	2,791	1	26	25	1	45	304	292	264	87	28
Oregon	16	1,391	1	4	*	4	15	162	161	158	98	3
Pennsylvania	33	2,448	5	186	167	19	28	249	241	235	94	6
Rhode Island	1	48	0	0	0	0	1	8	8	8	100	0
South Carolina	30	2,986	2	30	26	4	28	444	438	434	98	4
South Dakota	79	4,846	1	52	51	1	78	405	395	395	98	0
Tennessee	66	3,667	5	168	154	14	61	647	670	667	103	3
Texas	90	7,695	2	36	33	3	88	952	913	907	95	6
Utah	36	1,936	6	139	128	11	30	169	180	169	100	11
Vermont	30	1,575	2	20	19	1	28	260	356	240	92	116
Virginia	31	3,162	2	270	244	26	29	425	397	392	92	5
Washington	10	1,437	0	0	0	0	10	146	137	137	94	0
West Virginia	12	705	0	0	0	0	12	116	118	118	102	0
Wisconsin	107	7,437	9	516	444	72	98	1,035	1,046	1,037	100	9
Wyoming	9	549	0	0	0	0	9	113	117	113	100	4
Puerto Rico	5	164	3	50	46	4	2	47	47	47	100	0

1/ The amounts include payment in full for part of the total number of notes owed by the borrower.

2/ Principal write-offs total \$3,007.

NOTE: Sum of amounts may not equal U.S. total due to rounding.

* Less than \$500.

Table V - Labor Housing Loans-- Number of Borrowers, Amount Loaned and Payments, Cumulative Through January 1, 1973
(Dollars in Thousands)

State	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied ^{1/}				Borrowers with unpaid balance as of January 1, 1973					
			Number	Payments		Interest and insurance charges ^{3/}	Number	Scheduled installments (principal and interest)	Total	Principal and interest payments		Extra payments and refunds
				Total	Principal ^{2/}					Amount	As percent of schedule	
1	2	3	4	5	6	7	8	9	10	11	12	
U.S. TOTAL	224	\$19,691	35	\$688	\$335	\$353	189	\$4,249	\$3,375	\$3,264	77	111
Alabama	10	183	2	10	9	1	8	38	39	38	100	1
Arizona	1	54	0	0	0	0	1	1	1	1	100	0
Arkansas	8	173	3	15	13	2	5	5	5	5	107	*
California	8	3,998	0	320	66	254	8	621	545	545	88	0
Colorado	3	275	0	0	0	0	3	101	4	4	4	*
Florida	16	8,598	4	73	49	24	12	2,193	1,829	1,770	81	59
Georgia	2	22	2	24	22	2	0	0	0	0	0	0
Hawaii	2	94	0	0	0	0	2	3	2	2	59	0
Idaho	8	1,265	0	0	0	0	8	343	287	286	83	1
Illinois	2	162	0	0	0	0	2	41	16	16	38	0
Indiana	3	45	0	0	0	0	3	12	9	7	58	2
Kentucky	1	4	0	0	0	0	1	*	0	*	100	0
Louisiana	11	282	2	33	21	12	9	20	24	20	101	4
Maine	14	159	1	8	6	2	13	21	23	21	101	2
Maryland	3	34	0	0	0	0	3	2	2	2	89	0
Michigan	5	60	1	12	10	2	4	1	1	1	109	0
Minnesota	3	31	1	15	13	2	2	3	3	3	102	0
Mississippi	33	1,111	3	24	21	3	30	110	140	110	101	30
Missouri	2	17	1	9	7	2	1	3	3	3	100	0
New Hampshire	4	67	0	0	0	0	4	*	0	*	121	0
New Jersey	10	57	3	22	18	4	7	11	10	8	66	2
New York	2	78	0	0	0	0	2	35	5	5	13	*
North Carolina	14	129	4	16	13	3	10	18	28	21	111	7
North Dakota	10	116	0	0	0	0	10	25	26	26	104	0
Ohio	3	59	0	0	0	0	3	16	16	16	100	*
Oklahoma	1	2	1	2	2	*	0	0	0	0	0	0
Oregon	1	157	0	0	0	0	1	45	32	32	71	0
Pennsylvania	2	30	0	0	0	0	2	*	0	*	100	0
South Carolina	2	27	0	0	0	0	2	2	4	2	100	2
South Dakota	1	10	0	0	0	0	1	3	3	3	100	0
Tennessee	3	86	0	0	0	0	3	4	3	3	95	0
Texas	12	1,529	1	48	14	34	11	356	149	149	42	*
Utah	2	102	0	0	0	0	2	2	2	2	96	0
Vermont	6	90	1	8	7	1	5	3	3	3	103	0
Virginia	4	29	0	0	0	0	4	8	7	6	78	1
Washington	4	476	1	2	2	*	3	185	138	139	75	*
West Virginia	1	14	1	16	14	2	0	0	0	0	0	0
Wisconsin	7	65	3	29	25	4	4	18	17	17	98	*

^{1/} The amounts include payment in full for part of the total number of notes owed by the borrower.

^{2/} Includes principal write-offs of \$539.

^{3/} Includes interest write-offs of \$4.

NOTE: Sum of amounts may not equal U.S. total due to rounding.
* Less than \$500.

Payment of Sales Insufficiencies

In fiscal years 1967 and 1968, the Farmers Home Administration was authorized to sell to private investors, through the Government National Mortgage Association, participation certificates backed by loan assets in FHA accounts as follows:

	Direct Loan Account*	Rural Housing Direct Loan Account**	Total
	(-----Dollars in millions-----)		
1967 Sales Authorizations..	\$488	\$112	\$600
1968 Sales Authorizations..	600	150	750
	<u>\$1,088</u>	<u>\$262</u>	<u>\$1,350</u>

* This account was merged with the Agricultural Credit Insurance Fund as of September 30, 1972.

** This account was merged with the Rural Housing Insurance Fund as of June 30, 1970.

Of the 1968 authorization, \$525 million was used in the fiscal year 1968 and \$225 million was carried forward and used in 1969. Since some of the loans backing the certificates were made at lower rates of return than the participation certificates that were sold and since there were handling costs for the certificates, the sales resulted in continuing insufficiencies. The Independent Offices Appropriation Act, 1967, appropriated, on a permanent indefinite basis, such sums as may be necessary to cover the insufficiencies from the 1967 sale of certificates. The Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, did the same for the 1968 sale after an intermediate appropriation of \$13,268,000 in 1968.

Agricultural Credit Insurance Fund

(A) Reimbursement for Losses

Appropriation Act, 1974	\$74,554,000
Budget Estimate, 1975	485,262,000
Increase in Appropriation	<u>+410,708,000</u>

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for losses sustained in fiscal year 1973. The annual reimbursement will restore the losses of the fund, exclusive of provision for future losses, unfunded costs, and imputed interest. The large increase in losses to the fund is due primarily to the "forgiveness" of principal and interest connected with Emergency loans during FY 1973. An analysis of the accrued deficit is as follows:

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
	(Dollars in thousands)		
<u>Operating Income</u>			
Interest income:			
Investments	\$5,469	\$9,744	\$11,632
Loans receivable	48,680	32,000	25,000
Other interest	201	200	210
Insurance charges	567	500	400
Other income	168	167	242
Total operating income	<u>55,085</u>	<u>42,611</u>	<u>37,484</u>
<u>Operating Expense</u>			
Interest expense:			
Treasury borrowings	29,366	36,000	36,000
Participation certificates	14,601	20,330	20,330
Withheld collections	4,543	5,000	5,500
Capital investments	3,842	4,000	4,500
Premium to investors	57,002	65,000	72,000
Other expense:			
Administrative	8,241	8,720	4,190
Amortized discount on participation certificates	4	5	5
Brokerage fees on block sales	2,216	1,964	1,664
Interest write-offs	2,031	2,497	2,172
Loans and other write-offs	418,377	60,865	9,495
All other expense	124	150	170
Total operating expense	<u>540,347</u>	<u>204,531</u>	<u>156,026</u>
Surplus or deficit (-) from operations	<u>-485,262</u>	<u>-161,920</u>	<u>-118,542</u>

In accordance with the accounting principles and standards followed by FHA, the previous schedule is prepared on an accrual basis. The following schedule summarizes the change in the cash position of the fund:

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
	(Dollars in thousands)		
Cash balance, beginning of year	\$82,211	\$323,936	\$208,647
<u>Funds for program operations:</u>			
Funds received:			
Repayments on loans	316,372	251,022	242,778
Payment of interest on loans	49,555	32,386	26,433
Sale of loans	888,779	1,161,173	944,356
Collections received for investors ..	278,808	500,870	634,930
Insurance premiums	702	600	500
Other receipts	55,573	19,445	28,465
Total funds received	<u>1,589,789</u>	<u>1,965,496</u>	<u>1,877,462</u>

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
	(Dollars in thousands)		
Funds expended:			
Loans made by the fund	-1,348,959	-1,269,000	-839,000
Loans purchased from investors	-101,034	-219,750	-219,750
Collections disbursed to investors ..	-199,801	-447,612	-605,370
Interest on borrowings from Treasury.	-31,684	-36,000	-36,000
Interest on withheld collections	-5,275	-1,600	-1,800
Premium interest paid investors	-52,276	-62,118	-71,000
Interest transferred on participa- tion certificates	-13,146	-11,861	-10,379
Administrative expense	-8,239	-8,720	-4,190
Insured loan sales expense	-2,283	-1,960	-1,660
Other expense	-21,187	-43,600	-49,970
Total funds expended	<u>-1,783,884</u>	<u>-2,102,221</u>	<u>-1,839,119</u>
Outlays a/	<u>-194,095</u>	<u>-136,725</u>	<u>38,343</u>
Funds for financing:			
Appropriation for reimbursement of losses	56,762	74,554	485,262
Borrowings from Treasury	350,000	- -	- -
Repayment of borrowings from Treasury .	-271,960	- -	- -
Transfers (P.L. 92-419) from Emergency Credit Revolving Fund and Direct Loan Account	353,089	- -	- -
Principal transferred on participation certificates	-52,071	-53,118	-39,776
Net financing	<u>435,820</u>	<u>21,436</u>	<u>445,486</u>
Cash balance, end of year	<u>323,936</u>	<u>208,647</u>	<u>692,476</u>

a/ A negative amount represents expenditures in excess of receipts. A positive amount represents receipts in excess of expenditures.

As of June 30, 1973, the unpaid principal balance of insured loans held by investors totaled \$2,822.5 million. The projected liability for premium interest on these loans held by investors through the end of the holding period is estimated to be \$315.9 million.

(B) Insured and Guaranteed Loans

	1973 <u>Actual^{a/}</u>	1974 <u>Estimated</u>	Change 1975 Over 1974	1975 <u>Estimated</u>
	(---Dollars in thousands---)			
Loans to Individuals:				
Farm ownership loans	\$408,089	\$350,000	- -	\$350,000
Soil and water loans	3,975	3,000	- -	3,000
Recreation loans	1,193	1,500	- -	1,500
Emergency loans	557,766	300,000	-\$200,000 (1)	100,000
Farm operating loans	454,620	525,000 ^{b/}	-175,000 (2)	350,000

	1973 Actual ^{a/}	1974 Estimated	Change 1975 Over 1974	1975 Estimated
	(___Dollars in thousands___)			
Loans to Associations or Groups:				
Irrigation and drainage loans	559	1,000	- -	1,000
Grazing loans	2,450	4,000	- -	4,000
Recreation loans	484	500	- -	500
Indian tribe land acquisition loans	3,250	10,000	- -	10 000
Watershed protection loans	19,964	20,000	- -	20,000
Flood prevention loans	- -	400	- -	400
Resource conservation and development loans	3,284	3,600	- -	3,600
Total	1,455,634	1,219,000	-375,000	844,000

a/ The 1973 obligations have been adjusted to conform with transfers authorized by Public Law 92-419, August 30, 1972, as follows: Includes Direct Loan Account obligations of \$53,023 thousand; Excludes Rural Development Insurance Fund (water and sewer) obligations of \$54,595 thousand.

b/ Subsequent to the printing of the Budget, an additional \$175 million was made available for Operating loans.

EXPLANATION OF PROGRAM

This fund is used to insure farm ownership, recreation, soil and water, farm operating and emergency loans to individuals, as well as the following types of loans to associations: Irrigation and drainage, grazing, recreation, Indian land acquisition, watershed protection, flood prevention and resource conservation and development.

Loans may be made directly from the fund from available receipts or borrowings from the Treasury for the purpose of acquiring blocks of loans if there is a reasonable assurance that the loans can be sold to investors without undue delay. With respect to all new loans made from this fund, with the exception of emergency loans, not more than \$500 million may be held in the fund at any one time.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the newly constituted Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans to Individuals

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans to individuals, and soil and water loans to individuals. Soil and water and recreation loans to individuals are each continued as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water and recreation loans to individuals and farm ownership loans to individuals are subject to the same authorizations and limitations but not purposes.

Farm Ownership Loans. Farm ownership loans accompanied by supervisory assistance in farm and financial management are needed to preserve and improve the family farm pattern of American agriculture and to strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Owner-operators of this group of farms who are eligible for loans continue to need farm ownership loan assistance. In most cases this assistance will be needed to help these families restructure their debts. Many family farm operators have entered into land purchase contracts which contain repayment schedules that are impossible to meet. Others need to utilize their real estate equities to refinance heavy short-term debts. In some instances the owner-operators need real estate credit assistance to make further adjustments in their operations, comply with local sanitation requirements, keep up with advances in agricultural technology, better utilize their land and labor resources and meet changing market requirements. Some farmers eligible for these loans who are operating their farms on a part-time basis need farm ownership loan assistance to increase the income they receive from farming. Many of these part-time farmers have stable nonfarm income and need only a modest boost in farm income to achieve a reasonable standard of living. Loans to finance income-producing recreational enterprises or other nonfarm enterprises also help some farmers make more productive use of their labor.
2. Development of farms: One of the functions of the farm ownership loan program is to assist farmers in the development and enlargement of farms. Farmers eligible for these loans need assistance in combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving or constructing dwellings and essential farm buildings, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to farmers and ranchers who (1) are citizens of the United States, (2) have a farm background, except with respect to veterans a farm background is not required as a condition to obtaining a loan, and either training or farm experience or other training or experience which is determined to be sufficient to assure reasonable prospects of success in the proposed operation, (3) are or will become owner-operators of not larger than family farms, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. Loans are repayable in not more than 40 years and bear interest at 5 percent.

The unpaid indebtedness against a farm or other security at the time the loan is made may not exceed \$225,000 or the market value of the farm or other security. The loan may not exceed \$100,000 or the amount certified by the county committee, whichever is lesser.

Regulations encourage making a farm ownership loan, when possible, simultaneously with a loan from a Federal Land Bank or private lending institution for authorized farm ownership purposes. Under this policy of participating with private lenders, it has been possible to increase the number of loans made with available farm ownership funds.

Recreation Loans. Insured recreation loans are made to individual farmers and ranchers, under the same terms and limitations as farm ownership loans, for converting all or a portion of the farms or ranches they own or operate to outdoor income-producing recreation enterprises which will supplement or supplant farm income and permit carrying on sound and successful operations. Such loans are not limited to family-size operations.

Soil and Water Loans. Soil and water loans to individuals are made to a farm tenant or farm owner, a member of a partnership that owns and operates a farm, or a domestic corporation engaged in farming. Applicants must be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

Soil and water loans to individuals are not limited to farm operators. Since the basic intent of the soil and water legislation was to promote conservation, development and better use of soil and water resources, these loans may be made to tenants and to non-operator owners. An applicant does not have to have a farm background, training, or experience to be eligible for a soil and water loan unless the soundness of the loan depends on his farming operations. It is not necessary that an applicant receive his income from farming after the loan is made. However, the farm improved with soil and water loan funds must provide a portion of the operator's cash income, except that an applicant may receive a soil and water loan to improve a farm on which the agricultural production may be temporarily eliminated. He may, for example, place his entire farm into grass or forest, and the agricultural income from that unit may be eliminated for several years pending the establishment of the range or forest.

Soil and water loans to individuals may be made only for land and water development, use and conservation. These purposes include a variety of items involving domestic water, irrigation and conservation such as terraces, dikes, reservoirs, ponds, tanks, cisterns, wells, pipelines, pumping and irrigation equipment, ditches and canals for irrigation and drainage, waterways, and erosion control structures; also drainage of land which is part of an operating farm unit, land clearing, sodding, subsoiling, land leveling, liming, forestation for sustained yield and tree planting for erosion, control or shelter belt purposes.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for association loans and Indian tribe land acquisition loans. However, Public Law 92-419 provided for the transfer of loans for water systems and waste disposal facilities from the Agricultural Credit Insurance Fund to the newly constituted Rural Development Insurance Fund. The following types of association loans authorized under subtitle A are currently made from the Agricultural Credit Insurance Fund: Irrigation and drainage association loans, grazing association loans, recreation association loans, and Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under sections 4 and 8 of the Watershed Protection and Flood Prevention Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Irrigation and Drainage Loans. Irrigation and drainage association loans are made to an organization primarily composed of farmers, ranchers, certain Indian tribes, and other rural residents for a project which includes the application or establishment of soil conservation practices, the construction, improvement, or enlargement of facilities for drainage, or the conservation, development, use or control of water, primarily serving farmers and other rural residents. The objectives may be met through such assistance as to a group of farmers and other rural residents to develop community irrigation dams and canals; soil and water conservation district to purchase heavy earth moving equipment; a community for drainage of land; a group of farmers to develop soil conservation measures such as terraces, shelter belts, and similar development. These loans are made at a 5% interest rate for 40 years or less.

Grazing Loans. Grazing association loans are made to an organization primarily composed of farmers, ranchers, certain Indian tribes, and other rural residents to provide seasonal grazing for livestock belonging to members of the association.

Membership in an association permits a farmer or rancher to graze his livestock on association pasture for the grazing season and return them to his base unit for the balance of the year. Such a plan provides a farmer or rancher an opportunity to increase the size of his operations. These loans are made at a 5% interest rate for 40 years or less.

Recreation Loans. Recreation association loans are made to an organization primarily composed of farmers, ranchers, certain Indian tribes and other rural residents to provide rural communities with opportunities to develop outdoor oriented recreational facilities for direct use of their residents or to generate other substantial tangible benefits for such communities. These loans are made at a 5% interest rate for 40 years or less.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for insured operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States who are unable to obtain credit from private and cooperative sources to develop a reasonable standard of living. The use of operating loan funds for this purpose helps to provide parity of opportunity to all rural people and to encourage farm families to remain in rural areas. The Consolidated Farm and Rural Development Act authorized operating loans to be made on an insured basis.

Loans are made to assist (1) full-time farm operators to continue to carry on and improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, (4) farmers who are handicapped because of age, physical handicaps or limited education or potential, to enable them to continue as self-supporting citizens, and (5) rural youths.

Operating loans are made to farmers and ranchers who (1) are citizens of the United States, (2) have a farm background, except with respect to rural youths and to veterans a farm background is not required as a condition to obtaining a loan, and either training or farm experience and any other training or experience which is determined to be sufficient to assure reasonable prospects of success in the proposed operation, (3) are or will become operators of not larger than family farms, except for rural youths, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

Operating loans may be made for (1) paying costs incident to reorganizing a farming system for more profitable operations, (2) purchasing livestock, poultry and farm equipment, (3) purchasing feed, seed, fertilizer, insecticides, and farm supplies and to meet other essential operating expenses, including cash rent and costs incident to the production and harvesting of forestry products, (4) financing land and water development, use, and conservation, (5) developing recreational and other nonfarm enterprises, (6) refinancing existing indebtedness, (7) complying with certain safety standards, (8) financing other farm and home needs including but not limited to family subsistence, (9) operating enterprises by rural youths in connection with their participation in 4-H clubs, Future Farmers of America and other similar organizations, and (10) paying for loan closing costs.

In no case may an operating loan be made which would result in a total principal loan balance outstanding in excess of \$50,000. The amount of each operating loan will be limited to the needs of the applicant and his ability to pay with due consideration given to the proposed farming program and the value of the chattel property, including crops, which will be available as security.

Operating loans may be scheduled for payment over periods from one to seven years depending on loan purposes. In some situations, they may be renewed for not more than 5 additional years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations with a similar maturity period. The rate for the 1974 fiscal year is 6-3/4 percent.

Regulations provide that other reliable agricultural credit sources will be requested and encouraged to furnish as much as possible of the credit needs of each eligible applicant with the balance being supplied by an operating loan from the Farmers Home Administration.

Emergency Loans

Subtitle C of the Consolidated Farm and Rural Development Act contains the authorization for insured emergency loans. Emergency loans are made in designated areas where a natural disaster has caused a general need for agricultural credit. These loans, formerly made as direct loans from the Emergency Credit Revolving Fund, are now made from the Agricultural Credit Insurance Fund, pursuant to Public Law 92-173, approved November 24, 1971.

Emergency loans are made to eligible established farmers, ranchers or oyster planters and to private domestic corporations or partnerships engaged primarily in farming, ranching, or oyster planting. Emergency loans are made primarily for financing farm operating needs, family living expenses, and a number of closely related purposes. Loans bear interest at a rate not in excess of 5 percent and are repayable over periods not longer than regular loans made by the Farmers Home Administration for similar purposes. Loans are secured in a manner that reasonably protects the Government's interest. Loans may be made outside of designated areas under certain conditions to persons or corporations who have suffered severe production losses not general to the area as the result of a natural disaster, or to persons who are indebted for emergency loans made under prior authorities.

Public Law 92-385, approved August 15, 1972, authorized special conditions for emergency loans made in connection with disasters occurring between June 30, 1971, and July 1, 1973. Such loans bore a lower interest rate and were eligible for deferred payments and for cancellation of principal up to \$5,000 under certain circumstances. Public Law 93-24, approved April 20, 1973, eliminated these provisions. However, Public Law 93-237, approved January 2, 1974, restores these provisions for disasters which occurred after December 26, 1972, and prior to April 20, 1973.

Watershed Works of Improvement and Flood Prevention Loans

Under sections 4 and 8 of Public Law 83-566, as amended, loans are made to local organizations for financing the local share of the cost of installing planned works of improvement in approved watershed works of improvement and flood prevention projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

Public Law 83-566 requires that all costs allocated to flood prevention purposes except the cost of easements and rights-of-way, water rights, and administration of contracts, be paid from Federal funds. Most of the loans are used to help

finance organizational expenses, legal costs, the acquisition of land, easements, and rights-of-way which the local organizations find they must purchase, and the local share of the cost of multiple-purpose projects. These purposes can include development of public fish and wildlife and recreational facilities, as well as municipal and industrial water supplies.

Resource Conservation and Development Loans

Under section 102 of Public Law 87-703 and other existing Departmental authorities, loans are made to local sponsoring organizations and to individuals, when needed, for financing the local share of the cost of installing planned works of improvement in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

Loans to local sponsors help them finance installation of multiple-purpose water facilities including recreational and natural beauty developments, flood control structures, water conservation measures, irrigation facilities and other planned project measures. Loans encourage increased investment of private and local funds in development of resource-based project measures. However, funds needed to carry out local contributions are often not available at reasonable rates for this type of work.

JUSTIFICATION OF DECREASE

(1) A decrease of \$200 million for emergency loans (\$300 million available in 1974).

The fiscal year 1974 program was increased in January 1974 from an original estimate of \$100 million to \$300 million to meet anticipated additional loan requests due to the provisions of P.L. 93-237, approved January 2, 1974. This Act restores former emergency loan provisions for (a) cancellation of a portion of principal advances, (b) lower interest rates, and (c) deferment of repayments on loans made as a result of disasters which occurred after December 26, 1972, but prior to April 20, 1973. In addition, the law provides that emergency loans shall subsequently be made without regard to whether credit is available from other sources.

Since the above changes (except for elimination of the "credit elsewhere" requirement) are effective for a limited time only, and emergency loan program needs are unpredictable from one year to the next, the fiscal year 1975 estimate is reduced to \$100 million, which is the level included in recent Budgets.

The \$100 million shown does not reflect a limit on the program. Additional loan funds will be made available if needed.

(2) A decrease of \$175 million for operating loans (\$525 million available in FY 1974).

The original estimates for 1974 as shown in the fiscal year 1975 Budget included \$350 million for operating loans. Because of escalating operating costs in the 1974 crop year, an additional \$175 million was subsequently made available for fiscal year 1974.

FHA encourages participation of private lenders in supplying as large a proportion as possible of the credit needs of FHA borrowers, with Farmers Home supplying the balance. It is anticipated that such loans will be more attractive to private lenders during FY 1975, therefore, it is anticipated that participation would increase. This would permit the \$350 million currently budgeted in 1975 for operating loans to meet the needs of FHA borrowers.

STATUS OF PROGRAM

LOANS TO INDIVIDUALS

FARM OWNERSHIP LOANS (sec. 303).

A total of \$408,088,930 was obligated for insured farm ownership loans in 1973, including \$7,714,690 for nonfarm enterprise loans, from the authorization for insured real estate loans. Loan cost items totaled \$28,440 on direct farm ownership loans and \$1,387,108 on insured farm ownership loans.

The Appropriation Act for 1974 provided for real estate loans to be insured totaling \$370,000,000, including not less than \$350,000,000 for insured farm ownership loans.

1. Use of loan funds: The following tabulation shows a breakdown for initial and subsequent insured farm ownership loans for fiscal years 1973 and 1974:

<u>Farm Ownership Loans</u>	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
Initial	12,593	\$356.1	10,668	\$308.5
Subsequent loans	<u>2,899</u>	<u>52.0</u>	<u>2,307</u>	<u>41.5</u>
Total	<u>15,492</u>	<u>408.1</u>	<u>12,975</u>	<u>350.0</u>

2. Applications: A total of 30,560 applications for new farm ownership loans were received in 1973. At the end of the year, 12,011 applications were on hand.
3. Loan Activity: Direct and insured loan activity for the last seven fiscal years is shown on the following tables:

<u>Fiscal Year</u>	<u>Initial Loans</u>		<u>Initial Loans</u>	
	<u>Total</u>		<u>Total</u>	
	<u>Direct</u>	<u>Initial Loans</u>	<u>Insured</u>	<u>Initial Loans</u>
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
1967	278	\$4.2	10,728	\$221.0
1968	286	4.1	8,064	171.4
1969	224	4.1	10,214	231.6
1970	168	4.3	8,410	217.4
1971	157	4.5	8,365	226.1
1972	- -	- -	10,718	302.2
1973	- -	- -	12,593	356.1

Total Direct and Insured Initial and Subsequent
Farm Ownership Loans

<u>Fiscal Year</u>	<u>Direct Loans</u> (millions)	<u>Insured Loans</u> (millions)	<u>Total Loans</u> (millions)
1967	\$5.0	\$253.6	\$258.6
1968	5.0	199.0	204.0
1969	5.0	270.7	275.7
1970	5.0	255.2	260.2
1971	5.4	263.0	268.4
1972	- -	355.5	355.5
1973	- -	408.1	408.1

4. Loan repayments:

- A. Direct loans: From the inception of the farm ownership program in 1938 through January 1, 1973 (the latest maturity date), a total of 94,113 families had been advanced \$837,508,834 for the purchase, enlargement and development of farms including the refinancing of existing indebtedness (these amounts include non-cash loans previously made in the liquidation of rural rehabilitation project properties which are also included as farm ownership loans on the loan accounts of the administration, and other non-cash loans resulting from the sale to approved applicants of properties received through liquidation of other loans). Principal payments of \$635,399,235 and interest payments of \$279,899,884 had been made. In addition, principal write-offs totaled \$7,127,705 and judgments were \$2,084,458. A total of 75,860 of the 94,113 families who had received loans had paid their loans in full as of January 1, 1973. Of this number 43,867, or 58 percent, continued to operate the farms acquired or improved through this program. The remaining 31,993 fully satisfied their accounts, but no longer operated the farms.

As of January 1, 1973, cumulative scheduled installments of \$176,695,475 were due from 18,253 individuals with outstanding loan balances, but regular principal and interest payments made on these installments were \$177,121,001 or \$425,526 more than required on a scheduled amortization basis. An additional \$8,709,025 in refunds and extra payments not applied to scheduled installments were credited to these borrowers' accounts. On the same date, 8,612 borrowers were \$7,468,529 ahead of schedule, an average of \$867 each; 7,076 were on schedule; and 2,565 were behind schedule \$7,045,568, an average of \$2,747.

- B. Insured loans: As of January 1, 1973, \$2,862,001,808 had been advanced under the insured loan program to 138,803 farm families for the purchase, enlargement and development of farms including some loans for the development of nonfarm enterprises and some loans primarily for the refinancing of existing indebtedness. Payments by insured loan borrowers totaled \$1,415,666,703 as of the same date. Of this amount, \$761,363,902 represented principal payments, \$654,302,801 payments on interest and payments to the insurance fund. In addition, principal write-offs totaled \$2,567,704 and judgments were \$997,911. As of January 1, 1973, 42,925 borrowers had paid their loans in full. Of those with unpaid balances, 29,506 were ahead of schedule, 50,325 were on schedule. The amounts of advances and payments do not include \$5,862,119 which represents refinancing of existing farm ownership loan indebtedness when subsequent loans were being made and the outstanding indebtedness was taken up in the new note.

RECREATION LOANS TO INDIVIDUALS (sec. 304).

In fiscal year 1973, 28 initial loans were made for \$1,124,360 and 7 subsequent loans for \$68,700. Loan cost items totaled \$2,402. In fiscal year 1974, it is estimated that 35 initial loans will be made for \$1,400,000 and 7 subsequent loans for \$100,000. A total of 72 applications for initial recreation loans to individuals were received during the 1973 fiscal year, and 30 were on hand June 30, 1973.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION

Table I - Farm Ownership Initial Loans - Total Initial Loan Applications, 1972 and 1973 Fiscal Years

State and Territory	1972 fiscal year				1973 fiscal year				
	Number of loan applications			Number of loans made	Number of loan applications				Number of loans made ^{1/}
	On hand beginning of year	Received during year	Total for consid-eration		On hand beginning of year	Received during year	Total for consid-eration	On hand end of year	
	1	2	3	4	5	6	7	8	9
U.S. TOTAL	14,409	38,658	53,067	10,718	15,408	30,560	45,968	12,011	12,593
Alabama	431	1,298	1,729	432	343	958	1,301	248	291
Alaska	0	2	2	0	0	3	3	0	0
Arizona	88	195	283	50	73	131	204	50	42
Arkansas	515	1,774	2,289	601	491	1,467	1,958	424	541
California	70	324	394	65	84	252	336	60	62
Colorado	227	390	617	111	137	297	434	117	111
Connecticut	14	26	40	6	7	44	51	13	7
Delaware	23	34	57	16	19	21	40	6	8
Florida	149	415	564	122	142	272	414	75	108
Georgia	245	740	985	228	230	516	746	119	161
Hawaii	15	11	26	6	5	11	16	6	5
Idaho	385	938	1,323	237	401	802	1,203	303	335
Illinois	317	1,167	1,484	363	360	1,072	1,432	282	529
Indiana	315	985	1,300	278	348	771	1,119	190	360
Iowa	481	1,588	2,069	435	646	1,118	1,764	416	557
Kansas	884	1,511	2,395	506	796	1,302	2,098	751	608
Kentucky	462	1,919	2,381	371	619	1,677	2,296	518	493
Louisiana	127	495	622	155	203	437	640	131	194
Maine	134	388	522	97	109	342	451	110	117
Maryland	47	86	133	40	26	94	120	25	48
Massachusetts	25	46	71	6	22	27	49	9	8
Michigan	253	679	932	147	239	551	790	156	203
Minnesota	500	1,719	2,219	451	531	1,398	1,949	401	554
Mississippi	479	1,490	1,969	476	591	1,137	1,728	388	457
Missouri	824	2,195	3,019	533	916	1,683	2,599	675	675
Montana	133	425	558	126	164	263	427	108	157
Nebraska	666	1,298	1,964	354	797	951	1,748	529	534
Nevada	23	43	66	15	16	44	60	15	4
New Hampshire	12	24	36	8	7	22	29	8	4
New Jersey	24	48	72	14	13	34	47	7	8
New Mexico	78	270	348	74	56	192	248	42	76
New York	536	1,175	1,711	213	553	959	1,512	65	192
North Carolina	311	1,284	1,595	375	354	1,035	1,389	289	386
North Dakota	826	1,370	2,196	404	994	1,210	2,204	918	632
Ohio	185	599	784	143	188	512	700	154	129
Oklahoma	913	2,011	2,924	528	1,156	1,532	2,688	980	835
Oregon	68	325	393	84	72	287	359	58	100
Pennsylvania	166	515	681	113	139	459	598	151	123
Rhode Island	0	2	2	1	1	6	7	1	1
South Carolina	128	483	611	182	122	435	557	88	169
South Dakota	566	1,083	1,649	385	688	779	1,467	499	534
Tennessee	462	1,261	1,723	389	455	1,021	1,476	449	367
Texas	735	1,917	2,652	534	655	1,621	2,276	662	652
Utah	103	226	329	96	68	177	245	83	91
Vermont	85	284	369	72	96	238	334	74	88
Virginia	161	441	602	135	143	301	444	98	88
Washington	140	412	552	118	155	317	472	110	154
West Virginia	216	636	852	122	273	536	809	274	118
Wisconsin	712	1,709	2,421	397	798	747	1,545	683	518
Wyoming	65	185	250	65	38	121	159	43	70
Puerto Rico	85	217	302	39	49	378	427	150	89
Virgin Islands	0	0	0	0	0	0	0	0	0

^{1/} Number and amount of loans made shown on Table III.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION

 Table II - Farm Ownership Loans: Use of Funds - Number of Borrowers and Amount Loaned,
 Including Estimated Amount Furnished by Borrowers, 1973 Fiscal Year
 (Dollars in Thousands Except "Average" Amounts)

State and Territory	Initial loans to borrowers											Subsequent loans to borrowers		Total amount of loans
	Number	Amount of funds			Average amount of loan	Use of funds						Number	Amount	
		Loans	Furnished by borrower	Total		Purchase of farm and incidental costs	Land develop- ment	Buildings other than dwellings	Dwellings, new and repair	Refinancing				
										Real estate	Chattels and unsecured			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
U.S. TOTAL														
Percent distribution				100.0%		72.7%	3.2%	3.6%	2.8%	13.5%	4.2%			
Amount	12,593	\$356,058	\$232,472	\$588,530	\$28,274	\$427,885	\$18,545	\$21,099	\$16,755	\$79,679	\$24,568	2,899	\$52,031	\$408,089
Alabama	291	5,442	2,375	7,817	18,701	4,434	238	646	832	1,502	166	86	1,038	6,480
Arizona	42	2,506	700	3,206	59,658	2,278	52	6	79	474	317	12	311	2,817
Arkansas	541	11,202	4,315	15,517	20,706	9,271	760	703	841	3,751	192	155	2,219	13,421
California	62	2,796	472	3,268	45,090	1,980	153	42	60	813	219	11	226	3,022
Colorado	111	4,581	2,120	6,701	41,273	5,402	157	153	174	445	369	53	979	5,560
Connecticut	7	236	78	314	33,763	189	0	3	25	57	40	4	48	284
Delaware	8	266	102	368	33,312	268	0	31	22	0	47	7	80	346
Florida	108	3,308	1,530	4,838	30,627	2,907	212	224	277	1,002	217	25	549	3,857
Georgia	161	4,992	1,709	6,701	31,006	3,624	245	562	539	1,501	228	47	794	5,786
Hawaii	5	110	0	110	21,900	10	4	27	0	56	9	1	43	153
Idaho	335	12,204	6,009	18,213	36,428	12,788	681	491	879	2,672	699	157	2,753	14,957
Illinois	529	14,124	15,820	29,944	26,699	25,542	681	424	254	1,976	1,065	59	886	15,010
Indiana	360	10,591	9,873	20,464	29,421	16,159	342	197	109	2,832	824	34	653	11,244
Iowa	557	16,508	18,863	35,371	29,638	29,367	1,117	871	313	2,846	858	63	1,232	17,740
Kansas	608	15,071	13,299	28,370	24,788	22,957	1,142	300	498	2,595	879	99	1,823	16,894
Kentucky	493	12,441	6,575	19,016	25,235	12,297	773	844	709	3,893	501	57	1,022	13,463
Louisiana	194	6,330	3,695	10,025	32,628	8,267	221	47	92	1,238	161	43	782	7,112
Maine	117	3,677	1,530	5,207	31,426	3,599	20	498	133	819	136	69	1,499	5,176
Maryland	48	2,001	892	2,893	41,682	2,001	8	383	67	323	111	4	194	2,195
Massachusetts	8	179	68	247	22,366	60	0	9	9	68	101	2	24	203
Michigan	203	7,103	4,566	11,669	34,989	5,725	327	1,405	410	2,436	1,366	63	1,077	8,180
Minnesota	554	14,753	10,293	25,046	26,631	14,911	657	1,859	516	4,892	2,210	104	1,485	16,238
Mississippi	457	10,126	4,456	14,582	22,158	9,229	660	261	1,545	2,639	249	119	1,500	11,626
Missouri	675	17,799	16,408	34,207	26,368	26,408	1,710	842	675	3,845	730	126	2,358	20,157
Montana	157	6,892	2,768	9,660	43,898	7,108	168	107	251	1,230	798	45	1,181	8,073
Nebraska	534	16,691	12,625	29,316	31,257	24,369	1,313	206	132	2,138	1,158	81	2,050	18,741
Nevada	4	201	1	202	50,250	46	24	0	0	120	17	3	53	254
New Hampshire	4	134	62	196	33,600	135	0	0	2	4	54	10	147	281
New Jersey	8	247	64	311	30,888	191	8	4	11	76	20	6	111	358
New Mexico	76	2,328	1,107	3,435	30,627	2,787	66	9	22	497	53	22	639	2,967
New York	192	6,117	2,928	9,045	31,861	5,715	127	596	158	1,497	952	33	456	6,573
North Carolina	386	9,101	5,808	14,909	23,578	8,908	594	850	936	2,684	939	138	1,533	10,634
North Dakota	632	19,650	13,453	33,103	31,091	28,298	333	781	803	2,196	693	212	4,278	23,928
Ohio	129	4,179	3,582	7,761	32,400	6,101	218	555	71	555	264	16	281	4,460
Oklahoma	835	19,760	13,662	33,422	23,665	23,860	1,614	479	1,078	4,735	1,628	165	3,177	22,937
Oregon	100	3,947	1,103	5,050	39,471	2,484	238	232	139	1,347	609	23	487	4,434
Pennsylvania	123	4,848	2,813	7,661	39,417	4,053	129	972	192	1,476	840	20	333	5,181
Rhode Island	1	7	0	7	7,300	7	0	0	0	0	0	0	0	7
South Carolina	169	4,274	1,949	6,223	25,290	3,480	232	322	448	1,303	438	79	1,119	5,393
South Dakota	534	15,905	8,361	26,266	29,785	19,477	272	758	336	2,426	999	138	2,963	18,868
Tennessee	367	8,534	2,722	11,256	23,253	6,172	579	393	866	2,955	292	71	1,321	9,855
Texas	652	17,823	16,831	34,654	27,336	30,049	1,455	520	306	2,229	94	99	2,317	20,140
Utah	91	2,603	1,019	3,622	28,602	2,481	72	124	102	561	283	42	771	3,374
Vermont	88	3,804	1,656	5,460	43,226	3,426	61	420	141	989	423	42	853	4,657
Virginia	88	2,482	809	3,291	28,202	2,314	57	150	262	426	80	25	364	2,846
Washington	154	6,028	1,903	7,931	39,142	3,361	255	287	451	2,813	765	49	1,164	7,192
West Virginia	118	2,117	511	2,628	17,941	1,895	58	64	242	326	41	24	298	2,415
Wisconsin	518	16,224	9,703	25,927	31,320	18,207	251	2,196	355	3,835	1,083	132	2,158	18,382
Wyoming	70	2,544	1,057	3,601	36,347	2,495	46	181	156	414	308	16	350	2,894
Puerto Rico	89	1,272	227	1,499	14,288	793	188	65	237	172	43	8	52	1,324

 NOTE: 1. Column 7 includes farmstead water, water rights, and special purpose equipment.
 2. Sum of amounts may not equal U.S. total due to rounding.

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Table III - Farm Ownership Loans - Number of Borrowers, Amount Loaned and Payments,
Cumulative Through January 1, 1973
(Dollars in Thousands)

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or 1/ otherwise satisfied				Borrowers with unpaid balance as of January 1, 1973					
			Number	Credits		Interest payments	Number	Scheduled installments (principal and interest)	Principal and interest payments			
				Principal					Total	Regular and advance payments made on scheduled installments	Extra payments and refunds	
				Total	Payments							
												Amount	As percent of sched.
1	2	3	4	5	6	7	8	9	10	11	12	
U.S. TOTAL	232,916	3,699,511	118,785	1,478,485	1,155,245	323,240	114,131	834,677	858,833	816,613	98	42,220
Alabama	10,193	95,530	6,497	51,543	40,946	10,597	3,696	18,571	20,229	18,942	102	1,287
Alaska	42	1,065	29	932	666	266	13	168	168	133	79	35
Arizona	635	19,312	242	4,825	3,717	1,108	393	3,639	2,999	2,898	80	101
Arkansas	12,682	117,918	7,290	59,067	47,544	11,523	5,392	21,798	23,670	22,136	102	1,534
California	1,529	31,850	886	16,268	13,007	3,261	643	7,132	6,226	5,721	80	505
Colorado	2,881	73,009	1,387	31,077	24,130	6,947	1,494	16,244	15,533	14,819	91	714
Connecticut	191	3,795	93	1,642	1,347	295	98	739	764	703	95	61
Delaware	237	4,398	131	1,581	1,267	314	106	742	709	631	85	78
Florida	2,620	35,253	1,503	18,298	14,445	3,853	1,117	6,216	6,728	6,201	100	527
Georgia	10,935	107,987	8,006	70,342	55,439	14,903	2,929	18,703	20,096	18,598	99	1,498
Hawaii	572	7,423	412	4,706	3,666	1,040	160	1,611	1,784	1,677	104	107
Idaho	4,552	102,838	1,695	31,383	23,583	7,800	2,857	23,874	22,762	21,753	91	1,009
Illinois	5,150	107,135	2,162	35,940	28,150	7,790	2,988	23,787	24,128	23,048	97	1,080
Indiana	4,004	84,011	1,916	32,140	25,397	6,743	2,088	17,033	17,840	16,829	99	1,011
Iowa	6,827	168,534	2,604	51,379	40,022	11,357	4,223	44,089	45,588	44,876	102	712
Kansas	5,976	117,737	2,416	39,404	30,895	8,509	3,560	26,114	27,596	26,489	101	1,107
Kentucky	5,881	97,707	2,359	32,317	25,967	6,350	3,522	22,236	24,385	22,886	103	1,499
Louisiana	5,786	63,215	3,667	36,459	28,643	7,816	2,119	11,772	12,402	11,896	101	506
Maine	3,122	56,022	1,212	17,835	14,136	3,699	1,910	15,781	14,980	13,694	87	1,286
Maryland	831	13,616	513	6,236	4,868	1,368	318	2,175	2,284	2,188	101	96
Massachusetts	247	4,134	132	2,020	1,635	385	115	746	793	717	96	76
Michigan	3,351	59,737	1,973	28,942	22,106	6,836	1,378	12,125	12,566	11,524	95	1,042
Minnesota	9,264	145,332	3,972	43,149	33,563	9,586	5,292	36,551	37,266	36,021	99	1,245
Mississippi	14,310	135,536	7,884	70,202	54,512	15,690	6,426	29,952	32,018	30,211	101	1,807
Missouri	12,280	196,886	6,015	78,286	60,466	17,820	6,265	45,644	46,969	45,336	99	1,633
Montana	2,927	63,858	1,455	26,266	20,404	5,862	1,472	13,912	13,751	13,121	94	630
Nebraska	5,643	140,530	1,718	31,531	24,836	6,695	3,925	36,220	37,635	36,723	101	912
Nevada	191	4,809	82	1,584	1,203	381	109	1,106	1,142	943	85	199
New Hampshire	232	4,192	113	1,707	1,372	335	119	869	919	874	101	45
New Jersey	927	13,769	563	8,570	6,663	1,907	364	2,746	2,706	2,437	89	269
New Mexico	1,493	31,913	656	11,509	8,972	2,537	837	7,774	7,712	7,408	95	304
New York	4,015	68,621	1,923	27,296	21,622	5,674	2,092	14,132	14,126	12,682	90	1,444
North Carolina	10,461	119,185	6,153	59,653	47,190	12,463	4,308	26,999	29,754	27,852	103	1,902
North Dakota	7,706	186,520	2,724	54,917	41,475	13,442	4,982	50,882	50,478	48,841	96	1,637
Ohio	3,132	54,227	1,849	26,567	20,682	5,885	1,283	10,828	11,042	10,500	97	542
Oklahoma	9,086	136,493	4,721	51,438	40,873	10,565	4,365	26,462	27,700	26,172	99	1,528
Oregon	2,247	42,384	1,193	19,396	14,891	4,505	1,054	9,161	8,982	8,464	92	518
Pennsylvania	3,194	47,213	1,936	24,512	19,018	5,494	1,258	9,106	9,955	9,094	100	861
Rhode Island	25	402	11	94	76	18	14	90	92	92	103	0
South Carolina	5,929	57,436	3,817	31,539	24,851	6,688	2,112	11,101	11,998	11,060	100	938
South Dakota	6,021	152,287	1,633	29,676	22,735	6,941	4,388	42,719	42,972	41,899	98	1,073
Tennessee	8,572	111,752	4,310	50,218	39,469	10,749	4,262	25,891	26,765	25,070	97	1,695
Texas	11,908	197,140	6,708	84,309	66,743	17,566	5,200	43,018	43,499	41,682	97	1,817
Utah	1,967	37,770	731	12,914	9,651	3,263	1,236	10,121	10,857	10,059	99	798
Vermont	1,126	27,203	535	10,054	8,418	1,636	591	3,989	4,452	4,136	104	316
Virginia	3,118	41,829	1,788	21,474	16,674	4,800	1,330	8,712	9,214	8,569	98	645
Washington	4,087	87,601	1,966	40,486	30,522	9,964	2,121	21,073	19,415	18,418	87	997
West Virginia	2,056	22,360	1,079	10,751	8,308	2,443	977	4,846	5,512	5,085	105	427
Wisconsin	9,024	146,948	4,188	51,577	39,524	12,053	4,836	33,224	35,240	33,725	102	1,515
Wyoming	1,423	33,937	607	11,652	8,973	2,679	816	8,703	8,646	8,313	96	333
Puerto Rico	2,293	18,995	1,315	12,606	9,825	2,781	978	3,550	3,783	3,466	98	317
Virgin Islands	15	157	15	210	157	53	0	0	0	0	0	0

1/ Column 5 includes \$7,127,705 in write-offs and \$2,084,458 in judgments. Column 6 includes \$752,359 in write-offs and \$185,319 in judgments.

NOTE: The sum of the amounts may not equal the U.S. total due to rounding.

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Table IV - Recreation Loans to Individuals - Use of Funds, Number of Borrowers and Amount Loaned,
Including Estimated Amount Furnished by Borrowers, 1973 Fiscal Year
(Dollars in Thousands Except "Average" Amounts)

State	Initial loans to borrowers														Subsequent loans to borrowers		Total amount of loans
	Amount of funds				Use of funds												
	Number	Loans	Furnished by borrower	Total	Average amount of loan	Purchase of real estate and incidental costs	Land development	Repair and improvement	Resource development	Purchase and install equipment and facilities	Operating expenses	Refinancing	Number	Amount			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
U.S. TOTAL																	
Percent distribution	28	\$1,124	\$90	100.0%	\$40,156	34.2%	8.3%	23.5%	1.5%	8.1%	.7%	23.8%	7	\$69	\$1,193		
Amount																	
California	2	151	5	156	75,660	5	30	14	0	0	6	93	0	0	151		
Illinois	1	20	*	20	20,000	*	0	0	0	0	0	14	1	7	27		
Indiana	2	150	0	150	75,080	5	28	39	0	0	0	41	0	0	150		
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0	1	13	13		
Maine	3	212	0	212	70,667	101	0	61	0	0	0	51	0	0	212		
Maryland	1	43	21	64	42,600	41	6	17	0	0	0	0	1	10	53		
Minnesota	2	50	7	57	25,200	*	*	43	9	4	0	0	0	0	50		
Missouri	1	8	0	8	8,000	0	2	0	0	1	1	5	1	5	13		
New York	1	18	*	18	18,000	*	0	18	0	0	0	0	0	0	18		
North Carolina	9	364	26	390	40,426	214	31	77	3	16	0	48	2	15	379		
Ohio	1	17	31	48	16,900	2	0	6	6	5	0	28	0	0	17		
Oklahoma	1	5	*	5	5,400	*	4	0	0	1	0	0	0	0	5		
South Carolina	1	7	*	7	7,000	7	0	0	0	0	0	0	0	0	7		
Washington	2	30	*	30	14,775	*	0	10	0	18	2	0	0	0	30		
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	1	19	19		
Wyoming	1	49	*	49	49,200	40	0	0	0	0	0	9	0	0	49		

* Less than \$500.

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(5)

Table V - Recreation Loans to Individuals - Number of Borrowers, Amount Loaned and Payments Cumulative Through January 1, 1973
(Dollars in Thousands)

State	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied				Borrowers with unpaid balance as of January 1, 1973						
			Number	Payments		Interest and insurance charges	Number	Scheduled installments (principal and interest)	Principal and interest payments			Extra payments and refunds	
				Total	Principal				Total	As percent of schedule			
											Amount		
1	2	3	4	5	6	7	8	9	10	11	12		
U.S. TOTAL	178	\$6,224	12	\$171	\$150	\$21	166	\$833	\$709	\$674	81	35	
Alabama	3	126	0	0	0	0	3	26	24	24	93	0	
Arizona	3	56	0	0	0	0	3	29	3	3	9	0	
Arkansas	1	30	0	0	0	0	1	6	6	6	100	0	
California	2	130	0	0	0	0	2	10	13	9	92	4	
Colorado	7	84	2	14	11	3	5	13	13	13	100	0	
Delaware	1	72	0	0	0	0	1	9	7	7	77	0	
Georgia	4	43	1	11	10	1	3	5	9	7	145	2	
Hawaii	0	0	0	0	0	0	0	0	3	0	0	3	
Idaho	7	234	1	39	33	6	6	30	26	26	86	0	
Illinois	4	123	0	0	0	0	4	19	10	10	50	0	
Indiana	14	616	0	0	0	0	14	69	70	69	99	1	
Iowa	4	110	0	0	0	0	4	23	23	23	102	0	
Kentucky	6	238	0	0	0	0	6	29	30	30	103	0	
Louisiana	1	22	0	0	0	0	1	5	4	4	74	0	
Maine	4	205	0	0	0	0	4	27	22	22	82	0	
Maryland	3	122	0	0	0	0	3	9	9	9	0	0	
Michigan	6	168	0	0	0	0	6	29	26	26	89	0	
Minnesota	4	137	0	0	0	0	4	25	27	26	101	1	
Mississippi	2	68	0	0	0	0	2	15	8	8	52	0	
Missouri	9	273	2	16	12	4	7	39	39	39	101	0	
Montana	4	102	1	23	22	1	3	18	19	18	100	1	
Nebraska	1	27	0	0	0	0	1	6	6	6	100	0	
Nevada	1	48	0	0	0	0	1	9	24	9	100	15	
New Hampshire	1	6	0	0	0	0	1	0	0	0	100	0	
New Jersey	4	154	0	0	0	0	4	15	7	7	0	0	
New York	5	121	0	0	0	0	5	14	14	14	103	0	
North Carolina	16	617	2	31	29	2	14	47	55	49	105	6	
North Dakota	2	105	0	0	0	0	2	7	7	7	100	0	
Ohio	3	38	1	12	11	1	2	6	6	6	100	0	
Oklahoma	1	94	0	0	0	0	1	2	2	2	100	0	
Oregon	1	21	0	0	0	0	1	2	2	2	100	0	
Pennsylvania	6	164	0	0	0	0	6	28	27	27	96	0	
Rhode Island	0	0	0	0	0	0	0	1	1	1	100	0	
South Carolina	3	128	0	0	0	0	3	30	1	1	5	0	
South Dakota	3	108	0	0	0	0	3	11	4	4	36	0	
Tennessee	2	116	0	0	0	0	2	25	15	15	61	0	
Texas	6	236	0	0	0	0	6	25	22	22	89	0	
Vermont	2	91	0	0	0	0	2	13	14	13	100	1	
Virginia	3	146	0	0	0	0	3	13	8	8	54	0	
Washington	7	214	1	12	11	1	6	32	27	27	85	0	
Wisconsin	19	668	1	13	11	2	18	95	63	62	66	1	
Wyoming	3	163	0	0	0	0	3	17	13	13	80	0	

SOIL AND WATER LOANS (sec. 304).

A total of \$3,974,930 was obligated for insured soil and water loans to individuals in 1973 from the authorization available for insured real estate loans. Loan cost items totaled \$65 on direct soil and water loans and \$6,282 on insured soil and water loans.

The Appropriation Act for 1974 provided for real estate loans to be insured totaling \$370,000,000, including \$3,000,000 for insured soil and water loans to individuals.

1. Applications: During 1973, 1,075 applications for new loans from individuals were received. On June 30, 1973, there were 468 applications on hand.
2. Number and amount of loans: The following table shows the number and amount of insured soil and water loans to individuals made in fiscal year 1973 and estimates for fiscal year 1974.

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Loans to Individuals:</u>				
<u>Insured soil and water</u>				
Initial	677	\$3,544.1	522	\$2,700.0
Subsequent	79	430.8	58	300.0
Total	<u>756</u>	<u>3,974.9</u>	<u>580</u>	<u>3,000.0</u>

LOANS TO ASSOCIATION AND GROUPS

IRRIGATION AND DRAINAGE, GRAZING, AND RECREATION LOANS TO ASSOCIATIONS (sec. 306).

A total of \$3,492,700 was obligated for these three types of insured loans to associations in 1973 from the authorization available for insured real estate loans. Of this amount, \$559,000 was obligated for loans to irrigation and drainage associations, \$2,450,200 for loans to grazing associations, and \$483,500 for loans to recreation associations.

The Appropriation Act of 1974 provided for real estate loans to be insured totaling \$370,000,000, including \$5,500,000 for these association loans. Of this amount, \$1,000,000 is for loans to irrigation and drainage associations, \$4,000,000 for loans to grazing associations and \$500,000 for loans to recreation associations.

1. Applications: During 1973, 67 applications for new loans were received from associations involving irrigation and drainage, grazing and recreational activities. On June 30, 1973, there were 77 such applications on hand.
2. Number and amount of loans: The following table shows the number and amount of such insured loans to associations made in fiscal year 1973 and estimates for fiscal year 1974.

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Loans to Associations</u>				
<u>Irrigation and drainage</u>				
Initial	11	\$490.1	18	\$900.0
Subsequent	6	68.9	4	100.0
Subtotal	<u>17</u>	<u>559.0</u>	<u>22</u>	<u>1,000.0</u>

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Grazing</u>				
Initial	14	1,668.2	38	3,800.0
Subsequent	4	782.0	7	200.0
Subtotal	<u>18</u>	<u>2,450.2</u>	<u>45</u>	<u>4,000.0</u>
<u>Recreation</u>				
Initial	1	195.0	5	400.0
Subsequent	8	288.5	3	100.0
Subtotal	<u>9</u>	<u>483.5</u>	<u>8</u>	<u>500.0</u>
<u>Total</u>	<u>44</u>	<u>3,492.7</u>	<u>75</u>	<u>5,500.0</u>

INDIAN TRIBE LAND ACQUISITION LOANS (sec. 306).

In fiscal year 1973, three initial loans for \$2,750,000 and one subsequent loan for \$500,000 were made. It is estimated that about 9 initial loans for \$9,500,000 will be made in fiscal year 1974. A total of 4 applications for Indian tribe land acquisition loans were received during the 1973 fiscal year, and 7 were on hand June 30, 1973.

State and Territory	1973 Fiscal Year											Total amount to individuals and groups September 17, 1974 through June 30, 1973			
	Loans to individuals					Loans to groups					Total amount to individuals and groups				
	Initial			Subsequent		Initial			Subsequent						
	Number	Amount	Average amount	Number	Amount	Number	Amount	Average amount	Number	Amount					
	1	2	3	4	5	6	7	8	9	10	11	12			
U.S. TOTAL	677	\$3,544	\$5,235	79	\$431	794	\$302,536	\$381,027	752	\$100,952	\$407,463	\$1,674,014			
Alabama	59	149	2,533	3	9	28	7,848	280,286	26	2,789	10,795	38,656			
Alaska	0	0	0	0	0	3	1,900	633,333	4	660	2,560	4,324			
Arizona	3	105	34,917	0	0	6	1,445	240,833	3	470	2,020	14,490			
Arkansas	105	467	4,450	11	45	33	8,554	259,218	39	5,150	14,216	53,221			
California	1	4	4,000	0	0	16	4,797	299,813	20	2,160	6,961	19,447			
Colorado	1	1	1,400	0	0	11	3,243	294,809	13	1,554	4,798	41,947			
Connecticut	2	4	2,000	0	0	0	0	0	0	0	4	82			
Delaware	0	0	0	0	0	0	0	0	0	0	0	292			
Florida	6	55	9,100	0	0	23	39,365	1,711,539	13	2,023	41,443	78,599			
Georgia	1	2	1,800	0	0	26	9,944	382,462	14	1,694	11,640	34,449			
Hawaii	2	15	7,650	0	0	0	0	0	0	0	15	482			
Idaho	11	93	8,475	1	6	18	3,668	203,756	10	707	4,474	34,910			
Illinois	4	13	3,253	0	0	26	11,651	448,096	34	5,738	17,402	44,711			
Indiana	9	30	3,334	0	0	24	14,918	621,600	13	1,599	16,547	59,995			
Iowa	18	120	6,684	3	4	42	8,151	194,060	39	2,978	11,253	57,084			
Kansas	5	91	18,092	0	0	12	4,007	333,908	24	2,121	6,219	39,268			
Kentucky	47	125	2,654	3	4	10	5,897	589,700	5	625	6,651	41,460			
Louisiana	20	81	4,070	3	4	31	6,186	199,539	20	1,478	7,749	36,937			
Maine	4	8	2,100	0	0	8	4,304	538,000	6	3,392	7,704	15,176			
Maryland	0	0	0	0	0	3	849	283,000	0	0	849	4,754			
Massachusetts	1	2	2,000	1	8	10	3,847	384,700	2	626	4,483	5,695			
Michigan	0	0	0	0	0	5	3,800	760,000	8	3,487	7,287	26,559			
Minnesota	1	25	25,000	0	0	11	4,386	398,727	10	983	5,394	16,523			
Mississippi	36	98	2,732	3	13	48	11,816	246,169	97	8,619	20,546	119,919			
Missouri	166	734	4,422	25	127	23	7,544	327,978	31	3,772	12,177	53,774			
Montana	4	40	9,915	3	45	7	728	104,071	4	866	1,679	18,827			
Nebraska	17	299	17,557	1	8	4	2,463	615,750	5	324	3,094	17,560			
Nevada	0	0	0	0	0	7	876	125,143	5	599	1,475	4,500			
New Hampshire	0	0	0	0	0	6	5,275	879,167	1	1,183	6,458	9,386			
New Jersey	1	1	1,400	0	0	6	5,103	850,533	3	456	5,560	11,252</			

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION

 Table II - Soil and Water Loans to Individuals - Number of Borrowers, Amount Loaned and Payments,
 Cumulative from September 17, 1954, Through January 1, 1973
 (Dollars in Thousands)

State and Territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied				Borrowers with unpaid balance as of January 1, 1973					
			Number	Payments		Interest and insurance charges	Number	Scheduled installments (principal and interest)	Principal and interest payments			Extra payments and refunds
				Total	Principal				Total	Regular and advance payments made on scheduled installments		
										Amount	As percent of schedule	
1	2	3	4	5	6	7	8	9	10	11	12	
U.S. TOTAL	20,318	\$99,424	13,071	\$70,855	\$58,961	\$11,894	7,247	\$15,677	\$15,253	\$14,483	95	770
Alabama	593	1,379	259	689	585	104	334	197	214	199	101	15
Alaska	5	21	5	25	21	4	0	0	0	0	0	0
Arizona	255	3,568	186	2,815	2,220	595	69	608	482	473	78	9
Arkansas	1,491	5,874	875	4,143	3,515	628	616	740	778	740	100	38
California	545	3,508	470	3,494	2,912	582	75	369	411	355	96	56
Colorado	292	2,082	227	1,674	1,393	281	65	295	249	241	82	8
Connecticut	10	16	3	13	9	4	7	5	5	5	100	0
Delaware	8	50	4	27	22	5	4	11	12	11	100	1
Florida	520	3,019	445	2,996	2,497	499	75	306	290	284	93	6
Georgia	342	1,332	311	1,474	1,223	251	31	48	71	46	96	25
Hawaii	40	225	18	92	80	12	22	25	36	31	124	5
Idaho	607	4,389	387	2,835	2,318	517	220	720	679	659	92	20
Illinois	187	568	149	470	403	67	38	61	64	61	100	3
Indiana	150	420	90	282	239	43	60	58	55	54	93	1
Iowa	385	2,039	144	702	587	115	241	341	357	344	101	13
Kansas	446	3,618	359	3,391	2,707	684	87	401	392	373	93	19
Kentucky	617	1,116	238	454	394	60	379	215	223	209	97	14
Louisiana	431	2,207	267	1,263	1,057	206	164	725	615	585	81	30
Maine	126	287	50	97	83	14	76	67	68	67	100	1
Maryland	30	142	28	155	128	27	2	7	8	7	100	1
Massachusetts	77	271	40	127	111	16	0	113	115	112	99	3
Michigan	219	1,279	172	1,075	881	194	47	154	179	143	93	36
Minnesota	143	753	67	282	232	50	76	133	140	134	101	6
Mississippi	1,131	3,430	675	2,556	2,174	382	456	368	402	365	99	37
Missouri	1,041	3,758	482	1,676	1,432	244	559	440	435	425	97	10
Montana	364	1,878	260	1,377	1,150	227	104	337	355	334	99	21
Nebraska	988	7,686	715	5,381	4,418	963	273	1,057	1,049	1,023	97	26
Nevada	57	542	34	299	253	46	23	155	168	144	93	24
New Hampshire	3	6	1	2	2	*	2	2	2	2	100	0
New Jersey	142	563	96	438	371	67	46	131	83	76	58	7
New Mexico	519	3,196	396	2,626	2,227	399	123	506	486	468	92	18
New York	124	334	77	286	243	43	47	51	36	32	63	4
North Carolina	596	1,799	435	1,502	1,282	220	161	253	256	250	99	6
North Dakota	155	679	93	280	228	52	62	113	111	106	94	5
Ohio	71	287	42	178	147	31	29	30	33	31	103	2
Oklahoma	762	5,476	440	3,252	2,766	486	322	732	729	676	92	53
Oregon	440	1,953	337	1,551	1,260	291	103	410	324	322	99	2
Pennsylvania	86	159	59	114	98	16	27	22	23	22	100	1
Rhode Island	8	19	1	6	3	3	7	5	5	5	100	0
South Carolina	454	1,348	384	1,342	1,129	213	70	109	110	107	98	3
South Dakota	285	1,541	121	541	441	100	164	416	411	386	93	25
Tennessee	349	792	235	576	484	92	114	122	124	114	93	10
Texas	2,180	13,334	1,317	9,208	7,757	1,451	863	2,525	2,397	2,261	90	136
Utah	524	2,683	336	1,882	1,510	372	188	704	720	711	101	9
Vermont	19	54	5	14	14	*	14	11	12	11	100	1
Virginia	72	257	59	265	224	41	13	26	27	26	100	1
Washington	614	4,417	449	3,274	2,659	615	165	811	742	726	90	16
West Virginia	94	170	85	186	153	33	9	8	5	5	63	0
Wisconsin	590	1,814	247	794	668	126	343	312	339	308	99	31
Wyoming	164	934	109	567	481	86	55	178	170	167	94	3
Puerto Rico	963	2,128	783	2,093	1,762	331	180	249	251	242	97	9
Virgin Islands	4	10	4	12	10	2	0	0	0	0	0	0

NOTE: Sum of amounts may not equal U.S. total due to rounding.

* Less than \$500.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table III - Soil and Water Loans to Groups - Number of Groups, Amount Loaned and Payments,
Cumulative from September 17, 1954, Through January 1, 1973
(Dollars in Thousands)

State and Territory	Total number of groups	Total amount loaned	Groups paid in full 1/				Groups with unpaid balance as of January 1, 1973					
			Number	Payments		Interest and insurance charges	Number	Scheduled installments (principal and interest)	Principal and interest payments			Extra payments and refunds
				Total	Principal				Total	Regular and advance payments made on scheduled installments		
										Amount	As percent of schedule	
	1	2	3	4	5	6	7	8	9	10	11	12
U.S. TOTAL	7,026	\$1,264,974	334	\$20,412	\$13,582	\$6,830	6,692	\$279,067	\$270,170	\$266,494	95	\$3,676
Alabama	202	34,145	6	193	165	28	196	6,022	6,097	6,076	101	21
Alaska	7	1,991	0	0	0	0	7	250	220	220	88	0
Arizona	50	10,203	9	1,794	1,591	203	41	1,805	1,651	1,592	88	59
Arkansas	250	35,096	8	161	132	29	242	6,747	6,926	6,757	100	169
California	88	13,831	4	171	148	23	84	2,459	2,358	2,327	95	31
Colorado	196	42,720	22	3,263	1,936	1,327	174	13,857	13,756	13,260	96	496
Connecticut	3	459	0	0	0	0	3	95	91	91	96	0
Delaware	2	750	0	0	0	0	2	114	78	78	69	0
Florida	109	28,309	8	1,060	212	848	101	5,432	5,446	5,322	98	124
Georgia	172	25,059	4	150	128	22	168	5,053	5,216	5,161	101	55
Hawaii	2	352	1	19	17	2	1	79	79	79	100	0
Idaho	205	26,153	23	641	388	253	182	6,245	5,784	5,713	91	71
Illinois	156	28,972	2	155	135	20	154	5,648	5,468	5,468	97	*
Indiana	146	49,761	1	145	4	141	145	10,465	10,434	10,381	99	53
Iowa	252	27,061	13	578	478	100	239	6,022	5,959	5,927	98	32
Kansas	201	29,121	8	931	664	267	193	8,306	8,612	8,339	100	273
Kentucky	142	45,448	4	950	592	358	138	9,183	8,690	8,672	94	18
Louisiana	218	31,943	3	59	55	4	215	5,568	5,605	5,549	100	56
Maine	34	5,989	0	261	200	61	34	851	812	721	85	91
Maryland	33	7,188	0	0	0	0	33	910	824	818	90	6
Massachusetts	4	1,055	0	0	0	0	4	205	205	205	100	0
Michigan	46	14,731	0	19	5	14	46	1,952	1,930	1,930	99	0
Minnesota	107	13,559	4	41	37	4	103	2,207	2,081	2,033	92	48
Mississippi	629	101,917	49	2,475	1,022	1,453	580	23,227	22,670	22,285	96	385
Missouri	265	52,918	3	54	49	5	262	11,890	10,908	10,783	91	125
Montana	109	18,149	5	577	498	79	104	6,241	6,340	6,222	99	118
Nebraska	67	7,306	0	59	11	48	67	1,937	1,816	1,779	92	37
Nevada	20	2,588	3	62	53	9	17	884	898	883	100	15
New Hampshire	9	2,265	0	12	10	2	9	418	418	418	100	0
New Jersey	30	10,803	2	33	18	15	28	2,170	2,166	2,166	100	*
New Mexico	98	8,910	7	243	157	86	91	2,325	2,355	2,265	97	90
New York	96	29,481	1	16	15	1	95	5,115	4,352	4,349	85	4
North Carolina	206	47,501	12	130	76	54	194	11,642	11,274	11,207	96	67
North Dakota	116	14,789	10	249	220	29	106	2,298	2,370	2,338	101	32
Ohio	70	35,297	1	22	20	2	69	5,194	3,963	3,962	76	1
Oklahoma	349	64,549	24	178	166	12	325	12,026	11,389	11,271	94	118
Oregon	150	20,001	16	476	392	84	134	5,025	4,417	4,399	88	18
Pennsylvania	101	27,033	0	68	10	58	101	4,574	4,404	4,379	96	25
Rhode Island	2	480	0	0	0	0	2	13	13	13	100	0
South Carolina	152	31,094	4	518	338	180	148	5,199	5,112	5,069	97	43
South Dakota	205	22,827	1	57	16	41	204	6,510	6,139	6,032	93	107
Tennessee	191	47,736	2	403	315	88	189	10,551	9,828	9,762	92	66
Texas	802	141,833	10	2,477	1,985	492	792	38,225	37,710	37,311	97	399
Utah	82	7,096	12	218	177	41	70	1,706	1,831	1,760	103	71
Vermont	18	3,068	0	0	0	0	18	672	641	640	95	1
Virginia	73	16,962	0	0	0	0	73	3,105	2,576	2,564	82	12
Washington	178	18,999	23	851	706	145	155	4,987	4,835	4,740	95	95
West Virginia	140	25,985	8	281	130	151	132	5,751	5,725	5,631	97	94
Wisconsin	108	17,530	2	79	72	7	106	3,416	3,143	3,143	92	*
Wyoming	91	11,646	12	265	219	46	79	4,126	4,174	4,031	97	143
Puerto Rico	43	1,732	7	18	17	1	36	368	375	369	100	6
Virgin Islands	1	580	0	0	0	0	1	0	1	1	0	0

1/ The amounts include payment in full for part of the total number of notes owed by the borrower.

NOTE: The sum of the amounts may not equal the U.S. totals due to rounding.

* Less than \$500.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table IV - Water Facilities Loans to Individuals Made From 1938 Through September 17, 1954,
and Maturities and Collections Through June 30, 1973
(Dollars in Thousands)

State	Cumulative loan obligations	Cumulative loan advances	Matured principal	Collections			Principal		Outstanding principal balance on loan advances	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
1	2	3	4	5	6	7	8	9	10	
U.S. TOTAL	\$29,695	\$29,794	\$29,766	\$29,573	\$4,152	\$33,725	108	51	62	99.4%
Arizona	1,807	1,801	1,797	1,791	315	2,106	1	1	9	99.7
Arkansas	1	2	2	2	*	2	0	0	0	100.0
California	2,670	2,682	2,681	2,659	385	3,044	16	0	7	99.2
Colorado	1,824	1,813	1,813	1,799	257	2,056	2	12	0	99.2
Idaho	1,944	1,956	1,951	1,946	275	2,221	0	4	5	99.7
Illinois	0	1	1	*	*	*	0	0	0	51.7
Iowa	0	*	*	*	*	*	0	0	0	48.5
Kansas	1,224	1,227	1,227	1,219	185	1,404	7	0	1	99.3
Minnesota	0	1	1	*	1	1	1	0	0	15.2
Missouri	53	57	57	54	10	64	3	0	0	94.7
Montana	1,847	1,853	1,852	1,834	267	2,101	6	11	2	99.0
Nebraska	2,194	2,204	2,204	2,198	277	2,475	6	0	0	99.7
Nevada	157	161	161	161	23	184	0	0	0	100.0
New Jersey	0	*	*	*	*	*	0	0	0	100.0
New Mexico	1,519	1,528	1,522	1,495	224	1,719	16	0	17	98.2
New York	4	5	5	5	1	6	0	0	0	100.0
North Dakota	457	455	455	454	53	507	1	0	0	99.8
Oklahoma	2,542	2,553	2,553	2,544	356	2,900	7	1	2	99.6
Oregon	1,492	1,501	1,497	1,473	195	1,668	13	11	4	98.4
South Dakota	535	532	532	530	78	608	3	0	0	99.6
Texas	4,259	4,277	4,277	4,262	449	4,711	14	1	*	99.6
Utah	1,514	1,528	1,524	1,516	283	1,799	3	0	9	99.5
Virginia	0	1	1	*	*	*	0	0	*	40.0
Washington	2,506	2,528	2,525	2,506	365	2,871	6	10	6	99.2
Wyoming	1,146	1,128	1,128	1,125	153	1,278	3	0	*	99.7

* Less than \$500.

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UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table V - Water Facilities Loans to Groups - Number of Loans, Amount Loaned from 1938 Through September 17, 1954, Installments Due and Payments, Cumulative Through January 1, 1973
(Dollars in Thousands)

State	Total number of loans	Total amount loaned	Loans paid in full				Loans with unpaid balance as of January 1, 1973					
			Payments			Interest 2/ 2	Number	Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds
			Number	Total	Principal 1/ 1					Amount	As percent of schedule	
U.S. TOTAL	292	\$7,410	214	\$5,158	\$3,987	\$1,171	78	\$3,382	\$3,282	\$3,242	96	40
Arizona	11	319	8	249	192	57	3	162	163	163	101	0
California	8	272	7	218	172	46	1	120	120	120	100	0
Colorado	39	901	34	751	586	165	5	352	197	197	50	0
Idaho	39	883	30	679	533	146	9	336	354	347	103	7
Kansas	2	37	0	0	0	0	2	36	42	42	117	0
Montana	20	476	18	471	362	109	2	96	109	109	114	0
Nevada	10	388	8	236	188	48	2	242	205	198	82	7
New Mexico	20	413	16	227	198	29	4	216	219	219	101	0
North Dakota	1	15	1	16	15	1	0	0	0	0	0	0
Oregon	17	507	12	346	248	98	5	212	210	210	99	0
Utah	51	1,264	27	605	459	146	24	749	773	759	101	14
Washington	65	1,689	45	1,128	870	258	20	839	867	855	102	12
Wyoming	9	246	8	232	164	68	1	22	23	23	105	0

1/ Includes principal write-offs of \$59,200.

2/ Includes interest write-offs of \$9,319.

OPERATING LOANS (sec. 311)

The Appropriation Act of 1973 provided authority for a \$350,000,000 direct loan level for operating loans. A total of \$454,687,845 was obligated for insured and direct operating loans in 1973, including \$68,245 for loan cost items and \$51,677,860 for direct loans through September 30, 1972.

The Appropriation Act for 1974 provided for a \$350,000,000 level for operating loans. It is anticipated that this amount will be exceeded in 1974, because of increased farm production costs, and associated increased need for farm credit.

1. Use of operating loan funds: The major portion of the operating loan funds in 1973 was used to assist farmers in making basic adjustments in their farming operations. An analysis of initial and subsequent operating loans indicates that 27.9 percent of the funds were used for purchase of livestock, 21.3 percent for purchase of machinery and equipment, 15.6 percent for refinancing existing debts secured by livestock and equipment and unsecured debts, and 31.6 percent for current farm operating expenses. The other 3.6 percent was used for real estate improvements, family living expenses and other minor expense items. Funds used for refinancing existing indebtedness amounted to 15.6 percent, a decrease of 5.9 percent from the comparable portion so used in 1972.
2. Applications: A total of 31,045 applications for initial operating loans were received in 1973. At the end of the year, 5,185 applications were on hand.
3. Number and amount of loans: The following tabulation shows the number and amount of initial and subsequent farm operating loans for fiscal year 1973 and estimated for 1974:

	<u>F.Y. 1973</u>		<u>F.Y. 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
<u>Farm Operating Loans:</u>				
Total, Initial loans	19,172	\$237.3	25,800	\$345.0
Total, Subsequent loans ..	<u>31,808</u>	<u>217.3</u>	<u>25,700</u>	<u>180.0</u>
Total Loans	<u>50,980</u>	<u>454.6</u>	<u>51,500</u>	<u>525.0</u>

4. Collections: A summary of the current and cumulative activity on operating loans is tabulated below.

<u>Fiscal</u> <u>Year</u>	<u>Loan</u> <u>Advances</u>	<u>Principal</u> <u>Repayments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payments</u>
	(-----Dollars in Millions-----)			
1967	\$298.7	\$265.6	\$30.7	\$296.3
1968	276.5	261.1	30.7	291.8
1969	275.0	268.4	32.3	300.7
1970	274.5	264.2	26.8	291.0
1971	273.7	277.3	41.3	318.6
1972	326.2	277.5	41.8	319.3
1973	446.8	292.3	49.1	341.4

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table I - Total Operating Loans to Individuals, 1973 Fiscal Year and Operating and Production and Subsistence Loans,
Cumulative from Inception, November 1, 1946, Through June 30, 1973 ^{1/}
(Dollars in Thousands Except "Average" Amounts)

State and Territory	1973 fiscal year								Cumulative - November 1, 1946 through June 30, 1973	
	Initial loans			Subsequent loans 2/			Total loans			
	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Number	Amount
	1	2	3	4	5	6	7	8	9	10
U.S. TOTAL	19,172	\$237,330	\$12,379	31,808	\$217,375	\$6,834	50,980	\$454,705	1,955,203	\$5,626,119
Alabama	666	3,773	5,665	1,070	5,716	5,342	1,736	9,489	100,295	146,356
Alaska	1	20	20,000	7	62	8,871	8	82	611	2,476
Arizona	89	1,348	15,147	82	1,014	12,360	171	2,362	3,941	21,282
Arkansas	1,038	7,928	7,638	1,259	7,214	5,730	2,297	15,142	86,281	193,820
California	93	1,656	17,802	173	1,864	10,776	266	3,520	14,037	68,588
Colorado	123	2,521	20,497	339	3,236	9,547	462	5,757	26,480	104,583
Connecticut	21	338	16,086	26	183	7,023	47	521	1,556	7,882
Delaware	11	110	9,977	27	185	6,852	38	295	1,077	3,631
Florida	266	2,439	9,169	328	2,129	6,491	594	4,568	27,656	60,432
Georgia	628	7,318	11,653	859	7,591	8,837	1,487	14,909	84,943	211,988
Hawaii	25	179	7,164	17	115	6,738	42	294	2,420	6,589
Idaho	394	8,118	20,604	856	8,053	9,408	1,250	16,171	38,785	175,214
Illinois	392	5,792	14,776	1,068	7,796	7,299	1,460	13,588	45,509	193,397
Indiana	214	3,583	16,745	457	4,214	9,221	671	7,797	23,431	102,329
Iowa	564	11,087	19,657	1,218	6,699	5,500	1,782	17,786	48,256	207,517
Kansas	392	5,661	14,442	523	3,585	6,854	915	9,246	32,178	105,918
Kentucky	951	5,665	5,957	933	3,931	4,213	1,884	9,596	57,533	94,145
Louisiana	967	8,904	9,208	1,220	10,549	8,647	2,187	19,453	70,171	178,164
Maine	214	2,211	10,332	1,055	8,642	8,191	1,269	10,853	33,913	133,563
Maryland	112	1,014	9,051	134	669	4,994	246	1,683	11,245	25,028
Massachusetts	6	77	12,850	23	133	5,765	29	210	1,893	6,788
Michigan	252	6,617	26,256	408	3,760	9,216	660	10,377	26,438	107,592
Minnesota	597	10,167	17,030	577	5,757	5,893	1,574	15,924	41,288	169,171
Mississippi	1,500	12,852	8,568	1,403	8,951	6,380	2,903	21,803	115,056	192,415
Missouri	765	9,378	12,259	1,192	7,914	6,639	1,957	17,292	61,454	187,702
Montana	138	3,214	23,292	525	4,420	8,419	663	7,634	29,188	132,591
Nebraska	170	3,039	17,877	802	5,082	6,337	972	8,121	37,172	143,391
Nevada	22	393	17,864	38	327	8,596	60	720	1,895	13,553
New Hampshire	19	231	12,158	75	355	4,731	94	586	2,752	9,204
New Jersey	57	940	16,491	109	773	7,093	166	1,713	9,411	32,040
New Mexico	170	1,439	8,465	223	1,726	7,739	393	3,165	17,293	59,505
New York	250	6,028	24,111	576	2,945	5,113	826	8,973	29,741	127,987
North Carolina	1,586	9,678	6,102	2,506	12,643	5,045	4,092	22,321	135,089	254,418
North Dakota	504	9,783	19,411	1,200	8,181	6,818	1,704	17,964	45,104	177,009
South Dakota	166	3,497	21,069	294	2,388	8,123	460	5,885	15,303	59,581
Oklahoma	587	8,579	14,615	1,066	7,938	7,447	1,653	16,517	80,377	198,263
Oregon	116	2,257	19,457	217	2,178	10,038	333	4,435	15,312	63,606
Pennsylvania	186	4,399	23,648	261	1,595	6,113	447	5,994	21,336	77,474
Rhode Island	1	15	15,000	2	9	4,500	3	24	330	1,079
South Carolina	757	4,313	5,698	758	4,778	6,304	1,515	9,091	100,832	106,915
South Dakota	403	8,549	21,213	1,190	8,011	6,732	1,593	16,560	47,231	192,486
Tennessee	438	3,558	8,122	764	3,926	5,138	1,202	7,484	56,322	97,451
Texas	1,374	19,823	14,427	2,451	20,595	8,403	3,825	40,418	153,892	560,686
Utah	92	1,231	13,379	320	1,836	5,737	412	3,067	16,394	64,518
Vermont	134	2,842	21,205	251	1,359	5,413	385	4,201	5,702	29,645
Virginia	358	2,473	6,909	397	2,190	5,517	755	4,663	29,519	53,405
Washington	174	3,573	20,537	388	4,329	11,158	562	7,902	24,139	130,509
West Virginia	328	1,765	5,382	429	1,815	4,231	757	3,580	19,406	40,789
Wisconsin	581	15,344	26,409	879	5,360	6,098	1,460	20,704	38,329	161,260
Wyoming	64	1,195	18,664	322	2,370	7,359	386	3,565	19,520	80,359
Puerto Rico	216	416	1,927	111	284	2,555	327	700	46,573	51,296
Virgin Islands	0	0	0	0	0	0	0	0	594	529

^{1/} Does not include loans from State Rural Rehabilitation Corporation Funds.

^{2/} Subsequent loan amounts include recoverable and non-recoverable loan costs such as advances for taxes, insurance and filing fees.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION

 Table II - Operating and Production and Subsistence Loans, Maturities and Collections,
 Cumulative From November 1, 1946, Through June 30, 1973 1/
 (Dollars in Thousands)

State and Territory	Cumulative loan obligations	Cumulative advances 2/	Matured principal	Collections			Principal		Unpaid principal balance
				Principal repayments	Interest payments	Total	Write-offs	Judgments	
	1	2	3	4	5	6	7	8	9
U.S. TOTAL	\$5,626,034	\$7,345,974	\$6,495,866	\$6,127,834	\$719,126	\$6,846,960	\$326,310	\$11,927	\$879,903
Alabama	146,352	208,373	193,706	177,640	14,623	192,263	15,964	232	14,537
Alaska	2,476	2,841	2,794	2,343	417	2,760	215	3	280
Arizona	21,282	28,171	24,485	22,027	2,338	24,365	1,494	60	4,590
Arkansas	193,820	272,779	249,619	234,271	19,582	253,853	15,118	388	23,002
California	68,584	106,366	101,044	87,670	10,514	98,184	11,057	232	7,407
Colorado	104,583	145,706	136,419	126,474	16,003	142,477	9,189	343	9,700
Connecticut	7,881	9,807	8,340	7,850	1,043	8,893	443	30	1,484
Delaware	3,631	4,782	4,138	3,735	532	4,267	181	18	848
Florida	60,432	82,608	76,794	67,681	6,601	74,282	8,199	341	6,387
Georgia	211,988	298,357	278,364	260,332	18,136	278,468	16,897	427	20,701
Hawaii	6,589	7,203	6,616	6,265	821	7,086	120	0	818
Idaho	175,214	198,417	167,480	163,483	20,550	184,033	3,586	170	31,178
Illinois	193,396	221,382	196,131	188,413	22,585	210,998	4,675	102	28,192
Indiana	102,329	122,803	107,712	104,240	12,673	116,913	2,598	140	15,825
Iowa	207,516	243,132	197,061	195,496	29,168	224,664	2,373	107	45,156
Kansas	105,918	158,156	141,267	132,975	18,609	151,584	7,227	225	17,729
Kentucky	94,145	117,328	99,715	98,140	11,953	110,093	1,931	52	17,205
Louisiana	178,164	233,174	207,628	193,804	16,124	209,928	11,857	611	26,902
Maine	133,526	151,168	129,595	119,139	12,981	132,120	4,825	103	27,101
Maryland	25,028	31,004	27,621	26,299	3,702	30,001	1,093	24	3,588
Massachusetts	6,788	9,337	8,261	7,742	1,062	8,804	431	33	1,131
Michigan	107,591	130,865	109,673	104,483	16,416	120,899	4,367	157	21,858
Minnesota	169,170	231,999	198,469	189,528	27,259	216,787	8,451	310	33,710
Mississippi	192,415	265,685	230,346	214,288	21,133	235,421	16,197	552	34,648
Missouri	187,702	238,581	207,328	201,808	23,355	225,163	5,875	191	30,707
Montana	132,591	177,303	161,522	150,274	21,857	172,131	9,842	389	16,798
Nebraska	143,391	195,330	176,624	169,869	22,700	192,569	6,710	300	18,451
Nevada	13,552	15,412	13,584	12,438	1,610	14,048	421	33	2,520
New Hampshire	9,204	12,148	10,339	9,791	1,671	11,462	575	17	1,765
New Jersey	32,036	36,761	33,521	31,045	4,361	35,406	1,377	192	4,147
New Mexico	59,505	82,166	76,645	70,164	7,924	78,088	5,390	130	6,482
New York	127,967	144,475	120,025	113,576	18,941	132,517	4,489	385	26,025
North Carolina	254,416	321,854	293,093	286,902	17,709	304,611	6,408	341	28,203
North Dakota	177,008	251,614	210,383	183,999	37,206	221,205	23,928	1,169	42,518
Ohio	59,582	84,825	73,132	69,298	10,305	79,603	3,167	194	12,166
Oklahoma	198,263	265,262	236,014	226,671	26,540	253,211	7,849	427	30,315
Oregon	63,606	80,522	72,438	67,823	7,716	75,539	4,086	122	8,491
Pennsylvania	77,473	92,999	78,373	75,708	12,987	88,695	2,421	418	14,452
Rhode Island	1,079	1,542	1,380	1,266	181	1,447	88	8	180
South Carolina	106,915	171,509	159,889	148,777	8,987	157,764	10,501	219	12,012
South Dakota	192,486	271,334	224,753	206,790	40,815	247,605	16,973	341	47,230
Tennessee	97,450	122,977	109,722	104,946	10,205	115,151	3,372	102	14,557
Texas	560,685	727,295	666,890	620,044	56,536	676,580	41,655	1,269	64,327
Utah	64,517	80,308	71,492	69,828	10,019	79,847	1,375	184	8,921
Vermont	29,644	32,490	21,829	22,510	4,069	26,579	398	4	9,578
Virginia	53,406	83,351	75,942	71,263	7,105	78,368	3,577	81	8,430
Washington	130,506	159,504	144,749	134,902	15,006	149,908	8,095	289	16,218
West Virginia	40,789	50,294	41,605	40,349	6,784	47,133	1,246	69	8,630
Wisconsin	161,260	190,013	145,447	142,007	23,815	165,822	4,438	105	43,463
Wyoming	80,358	105,457	97,858	94,363	11,685	106,048	2,695	179	8,220
Puerto Rico	51,296	68,551	67,363	66,477	4,145	70,622	845	109	1,121
Virgin Islands	529	650	650	627	65	692	23	0	0

1/ Loans from State Rural Rehabilitation Corporation funds included.

2/ Cumulative advances by State include the face amount of individual notes owed by borrowers transferring from one State to another while still indebted.

NOTE: Sum of States may not equal U.S. totals due to rounding.

EMERGENCY LOANS (sec. 321)

As of June 30, 1973, the cumulative principal outstanding for emergency loans was \$159.7 million. Since the inception of the program loan advances have totaled \$2,157 million, and loan repayments have been \$1,553 million. Loan repayments do not include amounts written off under various authorities.

Loan Obligations: Direct emergency loans obligated from the Emergency Credit Revolving Fund from fiscal years 1967 through 1972 and emergency loans obligated from the Agricultural Credit Insurance Fund in 1972, 1973, and estimated for 1974 are shown below:

<u>Fiscal Year</u>	<u>Initial</u>		<u>Subsequent</u>		<u>Total</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
	(-----Dollars in Thousands-----)					
1967 (direct)	15,760	\$66,380	6,433	\$28,235	22,193	\$94,615
1968 (direct)	16,054	77,150	6,090	30,492	22,144	107,642
1969 (direct)	13,496	75,369	7,176	39,287	20,672	114,656
1970 (direct)	7,808	56,371	4,979	33,116	12,787	89,487
1971 (direct)	16,025	101,216	3,779	26,419	19,804	127,636
(1972 (direct)	2,750	22,338	1,127	7,166	3,877	29,504
(1972 (insured)	6,966	61,082	2,136	18,325	9,102	79,408
1973 (insured)	124,783	527,727	3,884	30,043	128,667	557,770
Est. 1974						
(insured)	51,600	265,000	3,900	35,000	55,500	300,000

UNITED STATES DEPARTMENT OF AGRICULTURE
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Table I - Emergency (Disaster) Loans Made During 1973 Fiscal Year and Cumulative from April 1949 Through June 30, 1973
(Dollars in Thousands)

State and Territory	1973 fiscal year		Cumulative from April 1949 through June 30, 1973		1973 fiscal year		Cumulative from April 1949 through June 30, 1973	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
U.S. TOTAL	128,667	\$557,771	559,474	\$1,944,313	1	\$40	1,692	\$8,288
Initial Loans	124,783	527,727	438,958	1,531,572	3	17	4,729	21,558
Subsequent Loans	3,884	30,039	120,516	410,502	0	0	87	1,090
Loan Costs 1/	5	5	2,239	2,239	592	2,868	813	3,533
Alabama	81	636	15,118	27,404	1,719	11,720	4,365	24,481
Alaska	0	0	51	300			3,005	11,638
Arizona	176	2,756	607	6,798	11,674	76,168	15,002	86,457
Arkansas	109	564	35,210	106,049	3,112	12,402	24,624	66,984
California	1,148	9,801	3,801	31,175	640	3,099	30,792	54,659
Colorado	267	2,163	8,146	44,262	315	1,918	1,148	6,962
Connecticut	905	6,203	1,285	7,912	9,642	36,955	24,978	74,968
Delaware	303	2,238	413	2,955	84	1,271	1,024	7,147
Florida	7	198	1,939	20,457	12,006	53,372	13,588	58,268
Georgia	2,391	14,539	17,741	58,227	138	1,369	202	1,543
Hawaii	0	0	89	225	10	472	23,545	38,214
Ideho	6	213	1,608	16,820			19,931	55,960
Illinois	30	261	2,841	12,948	9,922	42,212	19,931	55,960
Indiana	1	2	1,244	7,730	495	2,497	6,624	11,879
Iowa	2,368	6,152	5,469	13,769	39,978	133,405	131,620	513,899
Kansas	9	132	7,237	30,626	1,532	6,373	2,633	11,933
Kentucky	1	25	1,353	1,381	2,636	13,106	3,232	14,216
Louisiana	198	1,492	26,839	107,046			4,258	16,986
Maine	19	144	4,408	24,463	1,286	6,015	1,949	17,005
Maryland	1,138	6,375	1,832	7,648	208	1,254	589	1,736
Massachusetts	1,011	6,244	1,427	8,160	154	408	1,809	3,785
Michigan	3,138	16,813	4,221	21,579	659	1,861	1,314	6,172
Minnesota	13,715	56,551	26,915	104,570	14	90		
Mississippi	100	3,096	37,322	86,950			4,385	9,673
Missouri	38	413	24,420	65,825	3,770	8,054		
Montana								
Nebraska								
Nevada								
New Hampshire								
New Jersey								
New Mexico								
New York								
North Carolina								
North Dakota								
Ohio								
Oklahoma								
Oregon								
Pennsylvania								
Rhode Island								
South Carolina								
South Dakota								
Tennessee								
Texas								
Utah								
Vermont								
Virginia								
Washington								
West Virginia								
Wisconsin								
Wyoming								
Puerto Rico								

1/ "Loan Costs" represent the amount advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc.

WATERSHED WORKS OF IMPROVEMENT AND FLOOD PREVENTION LOANS (sec. 8-P.L. 83-566)

Applications: During 1973, 13 applications for initial watershed works of improvement and flood prevention loans were received. On June 30, 1973, there were 58 applications on hand.

Number and amount of loans: The following table shows the number and amount of watershed works of improvement and flood prevention loans made in fiscal year 1973 and estimates for such loans for fiscal year 1974:

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Watershed works of improvement loans</u>				
Initial	27	\$10,615.9	34	\$12,000.0
Subsequent	22	9,348.2	40	8,000.0
Subtotal	49	19,964.1	74	20,000.0
<u>Flood prevention loans</u>				
Initial	--	--	3	300.0
Subsequent	--	--	2	100.0
Subtotal	--	--	5	400.0
Total	49	19,964.1	79	20,400.0

Characteristics of loan requests: Applications for loans received by the Farmers Home Administration have varied greatly in amount. The applications now pending average about \$150,000 each. Most applications have included requests for funds to purchase land easements or rights-of-way and pay legal fees and organization costs. The larger loan requests have also included funds to pay the local organizations' share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements.

RESOURCE CONSERVATION AND DEVELOPMENT LOANS (sec. 102-P.L. 87-703)

Applications: During 1973, 18 applications for initial resource conservation and development loans were received. On June 30, 1973, there were 17 applications on hand.

Number and amount of loans: The following table shows the number and amount of resource conservation and development loans made in fiscal year 1973 and estimates for such loans for fiscal year 1974.

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974</u>	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Resource conservation and development loans</u>				
Initial	23	\$3,225.0	35	\$3,500.0
Subsequent	4	58.5	3	100.0
Total	27	3,283.5	38	3,600.0

Rural Development Insurance Fund

(A) Appropriation for losses

Appropriation Act, 1974	- -
Budget Estimate, 1975	\$17,446,000
Increase in Appropriation	<u>+17,446,000</u>

This appropriation is proposed to reimburse the Rural Development Insurance Fund for losses sustained in fiscal year 1973. The annual reimbursement will restore the losses of the fund, exclusive of provision for future losses, unfunded costs, and imputed interest. An analysis of the accrued operating deficit, exclusive of these items, is as follows:

	1973 Actual	1974 Estimated	1975 Estimated
	(Dollars in thousands)		
<u>Operating Income</u>			
Interest income:			
Interest on loans receivable	\$11,200	\$10,300	\$12,400
Insurance charges	48	50	50
Other income	2	-	-
Total operating income	<u>11,250</u>	<u>10,350</u>	<u>12,460</u>
<u>Operating Expenses</u>			
Interest expense:			
Interest on Treasury borrowings	-12,673	-17,500	-17,500
Interest on withheld collections	-1,522	-430	-600
Premium interest to investors	-11,730	-20,000	-25,000
Other expense:			
Administrative expense	-1,222	-	-
Insured loan sales expense	-1,546	-1,508	-1,608
Write-off of Loans Receivable	-3	-	-
Total operating expenses	<u>-28,696</u>	<u>-39,438</u>	<u>-44,708</u>
Surplus or deficit (-) from operations	<u>-17,446</u>	<u>-29,088</u>	<u>-32,248</u>

In accordance with the accounting principles and standards followed by FHA, the previous schedule is prepared on an accrual basis. The following schedule summarizes the change in the cash position of the fund:

	1973 Actual	1974 Estimated	1975 Estimated
	(Dollars in thousands)		
Cash balance, beginning of year	- -	\$149,567	\$80,795
Funds for program operations:			
Funds received:			
Repayments on loans	2,128	9,230	11,120
Payment of interest on loans	6,752	9,505	11,403
Sale of loans	407,600	468,000	665,245
Collections received for investors	36,019	55,000	77,000
Insurance premiums	43	49	59
Other receipts	3,640	4,550	2,240
Collections transferred from Agricultural Credit Insurance Fund	1,080	-	-
Total funds received	<u>457,262</u>	<u>546,334</u>	<u>767,067</u>

	1973 Actual	1974 Estimated	1975 Estimated
	(Dollars in thousands)		
Funds expended:			
Loans made by the fund	-130,632	-450,000	-550,000
Loans purchased from investors	-47,888	-75,000	-75,000
Collections disbursed to investors	-21,890	-47,074	-68,200
Interest on borrowings from Treasury	-17,435	-17,500	-17,500
Interest on withheld collections	-67	-100	-150
Premium interest paid investors	-9,603	-18,971	-22,700
Administrative expense	-1,222	-	-
Insured loan sales expense	-1,546	-1,500	-1,600
Other expense	-4,217	-4,961	-6,200
Total funds expended	-234,500	-615,106	-741,350
Outlays a/	222,762	-68,772	25,717

Funds for financing:

Appropriation for reimbursement of losses...	-	-	17,446
Borrowings from Treasury	25,000	-	-
Repayment of borrowings from Treasury	-98,195	-	-
Net financing	-73,195	-	17,446
Cash balance, end of year	149,567	80,795	123,958

a/ A negative amount represents expenditures in excess of receipts. A positive amount represents receipts in excess of expenditures.

As of June 30, 1973, the unpaid principal balance of insured loans held by investors totaled \$841.8 million. The projected liability for premium interest on these loans held by investors through the end of the holding period is estimated to be \$186.8 million.

(B) Insured and Guaranteed Loans

	1973 Actual	1974 Estimated	Change 1975 Over 1974	1975 Estimated
	(-----Dollars in thousands-----)			
Water and waste disposal systems				
loans	\$399,995 a/	\$470,000	-\$70,000	\$400,000
Community facility loans	-	50,000	+150,000	200,000
Business and industrial develop-				
ment loans	-	200,000	+200,000	400,000 b/
Total loans	399,995	720,000	+280,000	1,000,000

a/ Includes \$54,595 thousand of loans obligated under the Direct Loan Account prior to the creation of the Rural Development Insurance Fund on October 1, 1972.

b/ Of this amount, at least \$200 million will be used for guaranteed loans.

EXPLANATION OF PROGRAM

The Rural Development Insurance Fund was established under authority contained in section 116 of the Rural Development Act of 1972 (Public Law 92-419), approved August 30, 1972. This law provided for the transfer to the Rural Development Insurance Fund from the Agricultural Credit Insurance Fund the assets and liabilities applicable to loans for water systems and waste disposal facilities. In addition, this law authorized a number of new types of insured and guaranteed loans related to the development of rural businesses, community facilities, pollution abatement, and economic development in rural areas.

1. Water and waste disposal systems loans. Loans are made to organizations including certain Indian tribes and corporations not operated for profit and public and quasi-public agencies, for the development, storage, treatment,

purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which applicants are located for loans for similar purposes and periods of time. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

2. Community facility loans. Loans are made to organizations, including certain Indian tribes and corporations not operated for profit and public and quasi-public agencies, to construct, enlarge, extend or otherwise improve community facilities providing essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, transportation, traffic control, and community, social, cultural and recreational benefits. Loans are made for facilities which primarily serve farmers, ranchers, farm tenants, farm laborers, and other rural residents of open country and rural towns and villages of not more than 10,000 population, which are not part of an urban area.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which applicants are located for loans for similar purposes and periods of time. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent.

3. Industrial development loans. These loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes, or to individuals for the purpose of improving, developing, or financing business, industry, and employment or improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, leases, machinery, supplies and materials; and payment of start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to areas other than cities having a population of more than 25,000.

To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, giving security for, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Insured loans for industrial development are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Guaranteed loan interest rates are mutually determined by the borrowers and lender.

Loans are required to be secured in a manner which will adequately protect the interest of the Government. Such security includes liens on the borrower's real and personal property, when applicable, first liens on real and personal property acquired with loan funds, exclusive of easements, rights-of-way and water rights and liens on the interest of the applicant in easements, rights-of-way and water rights used in connection with the facility. Loans to public bodies are ordinarily secured by revenue or general obligation bonds. In cases where additional security is necessary to protect the interest of the Government, individual member's liability agreements and other types of security of this nature may also be taken.

JUSTIFICATION OF INCREASES AND DECREASES

A net increase of \$280,000,000 for rural development loans (\$720 million available in 1974) consisting of:

Industrial development loans (guaranteed)	+\$200,000,000
Community facility loans	+150,000,000
Water and waste disposal loans	-70,000,000

The demand for industrial development and community facility loans, as measured by preapplications on hand, is increasing rapidly. As of December 31, 1973, requests for business and industrial loans totaled about \$501 million, an increase of about \$121 million over the requests pending on November 30, 1973. Preapplications for community facility loans were about \$68 million on December 31, an increase of about \$30 million (73%) over November 30.

The \$400 million program for water and waste disposal loans in fiscal year 1975 is expected to serve comparable numbers of families to that financed by the \$470 million program in 1974, since FHA will apply more emphasis to extensions of existing systems which already have the basic supply, treatment, and transmission facilities. This will reduce the required loan amount per user.

STATUS OF PROGRAM

Rural Development Insurance Fund

The appropriation act for 1974 provided for loans to be insured from the Rural Development Insurance Fund totaling \$720,000,000, including \$470,000,000 for loans for water systems and waste disposal facilities, \$50,000,000 for loans for community facilities and \$200,000,000 for loans for industrial development.

1. Applications: During fiscal year 1973, 1,046 applications for new loans were received involving water systems and waste disposal facilities. On June 30, 1973, there were 2,654 such applications on hand.
2. Number and amount of loans: The following table shows the number and amount of loans to associations for water systems and waste disposal facilities made in fiscal year 1973 and estimates for fiscal year 1974 of community facilities loans and industrial development loans, as well as loans for water systems and waste disposal facilities.

	<u>Fiscal Year 1973</u>		<u>Fiscal Year 1974 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
<u>Water and Waste Disposal Systems</u>				
<u>(sec. 306)</u>				
Initial	768	\$300.2	1,260	\$390.0
Subsequent	734	99.8	800	80.0
Subtotal	<u>1,502</u>	<u>400.0</u>	<u>2,060</u>	<u>470.0</u>
<u>Community Facility (sec. 306)</u>				
Initial	- -	- -	250	50.0
Subsequent	- -	- -	- -	- -
Subtotal	<u>- -</u>	<u>- -</u>	<u>250</u>	<u>50.0</u>
<u>Industrial Development (sec. 310B)</u>				
Initial	- -	- -	200	200.0
Subsequent	- -	- -	- -	- -
Subtotal	<u>- -</u>	<u>- -</u>	<u>200</u>	<u>200.0</u>
Total	<u>1,502</u>	<u>400.0</u>	<u>2,510</u>	<u>720.0</u>

Rural Development Grants

Appropriation Act, 1974	\$10,000,000
Budget Estimate, 1975	<u>10,000,000</u>
Increase or Decrease in Appropriation	<u>- -</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	:	1973	:	1974	:	Increase or Decrease	:	1975
	:		:	(estimated)	:		:	(estimated)
Business and industrial development grant program ..	:	- -	:	\$10,000,000	:	- -	:	\$10,000,000
Total appropriation	:	- -	:	10,000,000	:	- -	:	10,000,000

EXPLANATION OF PROGRAM

Section 310B(c) of the Consolidated Farm and Rural Development Act, as amended, authorizes grants to be made to public bodies for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services and fees. These grants may be made in connection with business and industrial loans made under the Rural Development Insurance Fund.

It is estimated that 100 grants totaling \$10,000,000 will be made in both 1974 and 1975. As of December 31, 1973, there were 61 applications on hand totaling \$14,783,000. Present procedures limit these grants to public bodies for the development of industrial sites.

STATUS OF PROGRAM

Rural Development Grants (Sec. 310B)

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, appropriated \$10,000,000 to the Office of the Secretary for Rural Development Grants and Technical Assistance. Subsequently, the Secretary delegated authority for administering this fund to the Farmers Home Administration.

In fiscal year 1974, it is estimated that 100 business and industrial development grants will be made to public bodies for industrial parks and related facilities. As of December 31, 1973, no grants had been obligated, although review and processing had been initiated on the 61 applications on hand.

Rural Water and Waste Disposal Grants

Appropriation Act, 1974	\$30,000,000
Budget Estimate, 1975	- -
Decrease in Appropriation	<u>-30,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974 (estimated)	Decreases	1975 (estimated)
1. Planning grants	\$640,200	- -	- -	- -
2. Development grants	29,329,879	\$30,000,000	-\$30,000,000	- -
Total obligations	29,970,079	30,000,000	-30,000,000	- -
Recovery of prior-year obligations	-713,792	- -	- -	- -
Unobligated balance brought forward	-58,000,250	- -	- -	- -
Unobligated balance lapsing..	439,798	- -	- -	- -
Unobligated balance carried forward	120,304,165	- -	- -	- -
Total appropriation	92,000,000	30,000,000	-30,000,000(1)	- -

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1973	1974 (estimated)	Decreases	1975 (estimated)
1. Planning grants	\$640,200	- -	- -	- -
2. Development grants	29,329,879	\$30,000,000	-\$10,000,000	\$20,000,000
Total obligations	29,970,079	30,000,000	-10,000,000	20,000,000
Recovery of prior-year obligations	-713,792	- -	- -	- -
Unobligated balance brought forward	-58,000,250	-120,304,165	- -	-120,304,165
Unobligated balance lapsing..	439,798	- -	- -	- -
Unobligated balance carried forward	120,304,165	120,304,165	-20,000,000	100,304,165
Total appropriation	92,000,000	30,000,000	-30,000,000(1)	- -

EXPLANATION OF PROGRAM

Grants for the Preparation of Comprehensive Plans for the Development of Water and Waste Disposal Systems in Rural Areas.

Section 306 of the Consolidated Farm and Rural Development Act provides appropriation authority for grants for the preparation of comprehensive plans which coordinate the development of water and waste disposal systems in rural areas. Grants made under this authority may not aggregate more than \$30 million in any fiscal year.

1. Eligibility of applicants: Grants for the preparation of comprehensive water and waste disposal plans may be made to public bodies such as counties, townships, planning commissions, and similar units or instrumentalities of government, and such other agencies as may have authorization to prepare comprehensive area plans for the development of water and waste disposal systems in rural areas and which do not have the resources immediately available to undertake the preparation of such plans. To be eligible, the applicant must have a clear authorization to prepare comprehensive plans or to create planning boards or commissions which may prepare such plans under its direction.
2. Limits: The amount of any grant for the preparation of a comprehensive water and waste disposal plan will be limited to actual expenses for the preparation of the plan which are outside the normal budget of the recipient organization.

Grants for Water and Waste Disposal Development Costs.

Section 306 also provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas. Grants made under this authority may not aggregate more than \$300 million in any fiscal year.

1. Eligibility of applicants: Development grants may be made to associations including corporations operating on a nonprofit basis, municipalities, public authorities, districts, certain Indian tribes, and similar organizations, generally designated as public or quasi-public agencies, that propose projects for development, storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if grants are necessary to reduce user charges to a reasonable level. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, must be designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and also serve the reasonable foreseeable growth needs of the area, and must be consistent with comprehensive community water, waste disposal or other development plans for the rural area. Applications for loans and grants for water and waste disposal systems must be reviewed for comment by the officially designated agency and the local, county, or municipal government in which the proposed project is to be located.

2. Limits: Water and waste disposal development grants may not exceed 50 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility, including rights-of-way and land rights, water rights, engineering fees, legal fees, and administrative costs in connection with construction and acquisition, and interest during the development period on any funds borrowed to perform such development.

JUSTIFICATION OF DECREASE

(1) A decrease of \$30,000,000 in the appropriation for grants to plan and develop projects for the storage, treatment, purification of water and the collection, treatment, or disposal of waste in rural areas (\$30,000,000 available in 1974).

No appropriation is requested in fiscal year 1975 since sufficient funds are available from prior-year appropriations.

Funds will be made available in hardship cases where severe public health problems exist and where USDA grants are required for construction of facilities. An estimated 220 development grants totaling \$20 million will be made in 1975. This level of funding reflects the availability of much larger amounts for this purpose from EPA and local shared revenues.

STATUS OF PROGRAM

Rural Water and Waste Disposal Grants

Grants for the Preparation of Comprehensive Plans for the Development of Water and Waste Disposal Systems in Rural Areas (sec. 306).

In fiscal year 1973, 44 planning grants were made totaling \$640,200. No grants will be made in fiscal year 1974.

Grants for Water and Waste Disposal Development Costs (sec. 306).

In fiscal year 1973, 359 development grants were made totaling \$29,329,879. In fiscal year 1974, funds are being made available in special hardship cases where severe public health problems exist and where USDA grants are required for construction of facilities. It is estimated that 330 grants totaling \$30,000,000 will be made.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1974	\$7,500,000
Budget Estimate, 1975	- -
Decrease in Appropriation	<u>-7,500,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974	Decrease	1975
		(estimated)		(estimated)
Financial assistance for low-rent domestic farm labor housing	\$1,745,930	\$7,500,000	-\$7,500,000	- -
Unobligated balance brought forward	-47,250	- -	- -	- -
Recoveries of prior obligations	-529,414	- -	- -	- -
Unobligated balance carried forward	2,580,734	- -	- -	- -
Total appropriation	3,750,000	7,500,000	-7,500,000(1)	- -

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1973	1974	Decrease	1975
		(estimated)		(estimated)
Financial assistance for low-rent domestic farm labor housing	\$1,745,930	\$10,080,734	-\$10,080,734	- -
Unobligated balance brought forward	-47,250	-2,580,734	+2,580,734	- -
Recoveries of prior obligations	-529,414	- -	- -	- -
Unobligated balance carried forward	2,580,734	- -	- -	- -
Total appropriation	3,750,000	7,500,000	-7,500,000(1)	- -

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, financial assistance is authorized to State or political subdivisions, public or broad-based private nonprofit organizations of farmworkers incorporated within a State, or nonprofit organizations of farmworkers incorporated within a State to assist them in providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may consist of family units, apartments or dormitory-type units and must be the most practical type, constructed in an economical

manner, and not of elaborate or extravagant design or materials. Grant assistance not to exceed 90 percent of the total development cost is authorized. Applicants furnish as much of the development cost as they can afford by using their own resources or by borrowing either directly from private sources or obtaining an insured loan under section 514 of the Housing Act of 1949. The balance of the cost may be extended through sharing in the cost under this authority. The applicant must agree to charge rentals not exceeding amounts approved by the Secretary, to maintain the housing at all times in a safe and sanitary condition, and to give priority as far as occupancy is concerned to domestic farm laborers.

As a condition of the grant, the applicant must agree that: (1) rentals charged the domestic farm laborers for the housing shall not exceed amounts which are approved by the Farmers Home Administration; (2) the housing will be maintained at all times in a safe and sanitary condition in accordance with such standards as may be prescribed by State or local laws and with such minimum requirements as may be prescribed by the Farmers Home Administration; and (3) an absolute priority shall be given at all times to domestic farm labor in granting occupancy of the housing. The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless sooner terminated by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the right at its option to require repayment of the grant.

JUSTIFICATION OF DECREASE

(1) A decrease of \$7,500,000 in the appropriation for grants to provide housing for domestic farm labor (\$7,500,000 available in 1974).

Each year, more families settle out of the migratory stream and put down roots in a community, even though they continue to do seasonal farm labor. Such families need permanent housing and many are becoming homeowners through other housing programs. The 1 percent labor housing loan program, with a grant provision of up to 90 percent of the development cost for organizations, provides a very deep and costly grant and subsidy program. No funds are requested in 1975 because it is believed the Government's proper role can best be served by other programs. Furthermore, with increased income to farmers, loan funds in the open market should become more available for this type of construction.

STATUS OF PROGRAM

Rural Housing for Domestic Farm Labor (sec. 516)

In fiscal year 1973, eight grants totaling \$1,745,930 were made. In January 1973, this program was among those selected by the Administration for termination. However, \$1,000,000 was made available early in fiscal year 1974 to meet prior commitments. In February of 1974, the administration released the total funds available for this purpose, \$10,080,734. This amount will provide for an estimated 21 grants in fiscal year 1974.

Mutual and Self-Help Housing

Appropriation Act, 1974	\$4,000,000
Budget Estimate, 1975	- -
Decrease in Appropriation	<u>-4,000,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974	Decrease	1975
		(estimated)		(estimated)
Financial assistance for technical and supervisory assistance for mutual and self-help housing	\$3,728,451	\$4,000,000	-\$4,000,000	- -
Unobligated balance brought forward	-1,561,130	- -	- -	- -
Unobligated balance carried forward	832,679	- -	- -	- -
Total appropriation	3,000,000	4,000,000	-4,000,000(1)	- -

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1973	1974	Decrease	1975
		(estimated)		(estimated)
Financial assistance for technical and supervisory assistance for mutual and self-help housing	\$3,728,451	\$3,832,000	-\$3,832,000	- -
Unobligated balance brought forward	-1,561,130	-832,679	-168,000	-\$1,000,679
Unobligated balance carried forward	832,679	1,000,679	- -	1,000,679
Total appropriation	3,000,000	4,000,000	-4,000,000(1)	- -

EXPLANATION OF PROGRAM

This grant program was authorized by Public Law 90-448, approved August 1, 1968. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes. Some funds also will be used for administrative expenses of the organizations providing the self-help assistance.

JUSTIFICATION OF DECREASE

(1) A decrease of \$4,000,000 in the appropriation for grants to provide technical assistance for self-help housing (\$4,000,000 available in 1974).

Between the inception of the program in fiscal year 1971 and the end of fiscal year 1973, about \$7 million has been obligated for 48 grants in 21 states. Most grantees have been unable to assist the number of families planned and the resulting grant cost per house has been higher than anticipated. The major problem grantees have encountered is that they have been unable to find sufficient numbers of eligible families who are willing and able to participate in a self-help housing building program. They have also had problems in finding suitable building sites. The grant cost per house has ranged as high as \$7,000 in some cases. Such unit costs must be weighed against cost savings the families may realize by building their own homes by the self-help method. In evaluating the program, it is necessary to add to the grant the cost to the Agency for the associated subsidized housing loan, as well as the cost to administer this self-help housing program. The cost of the grant plus the subsidy cost of the loan necessary to complete the houses has in general equalled or exceeded the per unit cost to the Government under the regular 502 program. Since the program has not been cost-effective, funds are not being requested for grants in 1975.

STATUS OF PROGRAM

Mutual and Self-Help Housing (sec. 523)

The following reflects the number of grants made and the total amount of these grants since 1971, the first year of this program:

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Total Amount</u>
1971	15	\$1,720,960
1972	9	1,617,910
1973	24	3,728,451
1974 (est.)	27	3,832,000

Self-Help Housing Land Development Fund

The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
Loans for land development.....	\$9,100	\$900,000	- -	\$900,000
Unobligated balance brought forward	-1,734,830	-1,818,659	+\$879,000	-939,659
Receipts	-92,928	-21,000	-110,000	-131,000
Unobligated balance carried forward	1,818,659	939,659	-769,000	170,659
Total appropriation	- -	- -	- -	- -

EXPLANATION OF PROGRAM

This fund was authorized by Public Law 90-448, approved August 1, 1968. It is a revolving fund for making direct loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations and cooperatives. Loans are made for a maximum of two years at three percent interest. The principal indebtedness of any organization is limited to \$100,000.

Loans may be made to qualified applicants for the purchase and development of adequate sites, including the construction of essential access roads, streets, utility lines, and necessary equipment which becomes a permanent part of the development. If public water and sewer facilities are not available and cannot reasonably be provided on a community basis, funds may be included for this purpose.

The housing must be built by the self-help method (i.e., by the borrowers themselves rather than by commercial builders). Loans may include funds to provide for needed landscaping, planting, seeding or sodding or other necessary facilities related to buildings such as walks, parking areas, and driveways. Generally, a loan will not be made for the development of less than ten units, but they need not be contiguous.

It is anticipated that \$131,000 in principal repayments and interest will be received in fiscal year 1975. This amount, together with unobligated balances from the previous year, will be sufficient to carry out the proposed program level in 1975 without an additional appropriation. It is estimated that 22 loans totaling \$900,000 will be made in both 1974 and 1975.

STATUS OF PROGRAM

Self-Help Housing Land Development Fund

The Supplemental Appropriation Act, 1969 (Public Law 90-608), approved October 21, 1968, included an initial appropriation of \$600,000 for this fund. The Department of Agriculture and Related Agencies Appropriation Acts for 1970 and for 1971 provided additional appropriations of \$1,000,000 and \$400,000 respectively, which remain available until expended. In fiscal year 1973, one loan was obligated for \$9,100. It is anticipated that 22 loans totaling \$900,000 will be made in fiscal year 1974, averaging about \$40,000 each, from prior-year appropriations.

Salaries and Expenses

	<u>Salaries and Expenses</u>	<u>Transfer from Rural Housing Insurance Fund</u>	<u>Transfer from Loan Funds for Temporary Field Employment</u>	<u>Appropriation</u>
Appropriation Act, 1974 .	\$112,500,000	\$3,000,000	\$500,000	\$116,000,000
Budget Estimate, 1975 ...	129,112,000	3,000,000	500,000	132,612,000
Increase in appropriation	<u>+16,612,000</u>	<u>- -</u>	<u>- -</u>	<u>+16,612,000</u>
Adjustments in 1974:				
Appropriation Act, 1974	\$112,500,000	\$3,000,000	\$500,000	\$116,000,000
Transfer to General Services Administra- tion for rental of space	-108,000	- -	- -	-108,000
Activity transferred to Rural Develop- ment Service a/	-130,000	- -	- -	-130,000
1974 Supplemental Appropriation for pay costs	<u>+8,350,000</u>	<u>- -</u>	<u>- -</u>	<u>+8,350,000</u>
Adjusted base for 1975	120,612,000	3,000,000	500,000	124,112,000
Budget estimate, 1975 ..	129,112,000	3,000,000	500,000	132,612,000
Increase over adjusted 1974	<u>+8,500,000</u>	<u>- -</u>	<u>- -</u>	<u>+8,500,000</u>

a/ Pursuant to a memorandum approved by Under Secretary Campbell on December 26, 1973, the nonmetropolitan district planning assistance functions of the Farmers Home Administration are to be transferred to the Rural Development Service in fiscal year 1975. The amount of \$500,000 provided for this purpose in 1974 has been eliminated from the 1975 request for FHA. A portion of this amount, (\$130,000), is included in the 1975 request for RDS to provide the necessary support for the program.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
Administration of grant and direct and insured loan programs	\$120,322,000	+\$2,120,000	\$122,442,000
Expert and consultant fees ...	- -	+1,000,000	1,000,000
GSA space rental costs	- -	+4,270,000	4,270,000
Annualization of the pay cost increase effective in FY 1974	3,420,000	+1,480,000	4,900,000
Nonmetropolitan district planning assistance functions	370,000	-370,000	- -
Total available	<u>124,112,000</u>	<u>+8,500,000</u>	<u>132,612,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase	1975 (estimated)
Administration of grant and direct and insured loan programs	\$109,287,486	\$124,112,000	+\$8,500,000	\$132,612,000
Unobligated balance	7,621,591	- -	- -	- -
Total available or estimate...	116,909,077	124,112,000	+8,500,000(1)	132,612,000
Transfer to GSA.....	+87,923	+108,000		
Transfer to Rural Development Service.....	+130,000	+130,000		
Transfer from "Rural Housing Insurance Fund".....	- -	-3,000,000		
Transfer from "Agricultural Credit Insurance Fund".....	-250,000	-500,000		
Transfer from "Direct Loan Account"	-250,000	- -		
Proposed Supplemental for pay increase costs	- -	-8,350,000		
Total Appropriation	116,627,000	112,500,000		

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

In addition, other funds are made available from the Agricultural Credit Insurance Fund to service the unpredictable needs of the Emergency Program. An annual allotment is received from the Soil Conservation Service to cover the costs of administering Watershed, Flood, and Resource Conservation and Development loans.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$8,500,000 for the administration of grant and direct and insured loan programs (\$112,500,000 appropriated in 1974), composed of:

(a) An increase of \$4,270,000 for GSA space rental costs.

(b) An increase of \$1,480,000 for annualization of the pay cost increase effective in October 1974.

(c) An increase of \$2,120,000 for making new loans and grants and for servicing existing borrowers. This increase in the Salaries and expenses appropriation will fund 78 man-years of employment as well as increased personnel costs, such as within grade increases.

Administrative funds available from all sources, including transfers from loan funds, emergency loan administrative costs from the ACIF, and allotments and reimbursements, will finance an estimated 8,577 man-years of employment. This is a decrease of 242 man-years from the estimated 8,819 available in 1974.

This decrease results from the decrease in the emergency loan program, from \$300 million in 1974 to \$100 million in 1975 and correspondingly from 533 man-years in 1974 to 206 in 1975.

Through increased productivity resulting from improved systems, procedures, and training, the administrative funds provided in the Budget will enable the Farmers Home Administration to process new loans and service existing borrowers at the same level as in fiscal year 1974.

(d) An increase of \$1,000,000 for contracting fees for experts and consultants to provide the one-time expertise needed to evaluate the feasibility of certain one-of-a-kind business and industrial loan applications for which it would be uneconomical for FHA to retain permanent staff.

(e) A decrease of \$370,000 for certain nonmetropolitan district planning assistance functions provided pursuant to section 701 of the Housing Act of 1954. The decrease represents the elimination of funds previously available to FHA for its operations as well as for other USDA agencies for support of planning districts, primarily at the field level.

Department agencies have consistently reported that substantial man-years are being used in support of state and local efforts to develop and implement district planning programs. Thus it seems unnecessary for the Department to earmark a relatively small amount of additional money specifically for field work in support of planning by nonmetropolitan districts when this is a normal and ongoing function of Department agencies active in rural development. However, this does not eliminate the need for program leadership and coordination as well as liaison with other Departments and private organizations by the Rural Development Service, that agency will act for the Department in the area. Therefore, the nonmetropolitan district planning function has been transferred to the Rural Development Service, and the dollar request for this function reduced below the level of previous years to \$130,000.

STATUS OF PROGRAM

Economic Opportunity Loan Fund

The Economic Opportunity Act of 1964 (Public Law 88-452), approved August 20, 1964, authorized two new loan programs aimed at helping poor rural families improve their incomes through their own enterprise.

1. A small loan program of up to \$2,500 (later raised to \$3,500) per borrower to provide capital to a low-income farmer or other eligible applicant living in a rural area to enable him to increase his ability to earn more income for his family.
2. A loan program for cooperatives made up mainly of poor farm and other rural families to enable them to organize and operate small cooperatives that add to their earnings, conserve income, and teach mutual self-help.

The programs began in 1965 and were operative through fiscal year 1971. A total of 64,600 loans to individuals were made aggregating \$109.3 million. A total of 1,476 loans were made to cooperatives for \$21.1 million.

As of June 30, 1973, a total of 20,610 individual borrowers had outstanding loans of \$28 million, principal payments were \$64.3 million, write-offs were \$16.5 million and judgments were \$.2 million. Interest payments totaled \$13.2 million and interest write-offs were \$1.6 million.

As of June 30, 1973, a total of 525 cooperatives had outstanding loans of \$13.9 million, principal payments were \$5.8 million and write-offs were \$.6 million. Interest payments totaled almost \$2.9 million.

SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service was established by the Act of April 27, 1935, (16 U.S.C. 590a-590f). It assists conservation districts, communities, watershed groups, federal and state agencies and other cooperators with erosion control and water management problems and in bringing about needed physical adjustments in land use. The purpose is to conserve soil and water resources, improve agriculture and reduce damage caused by floods and sedimentation.

Conservation Operations Program: The Service provides technical assistance to land owners and operators in carrying out locally-adapted soil and water conservation programs, primarily through conservation districts in the 50 states, Puerto Rico, and the Virgin Islands. As of June 30, 1973, About 3,000 conservation districts had been organized covering 97% of the nation's farm and ranch land area. Activities include:

1. Soil surveys to determine land capabilities and conservation treatment needs, and publication of soil surveys with interpretations useful to cooperators, other federal agencies, state and local organizations;
2. Technical assistance to district cooperators and other landowners in the development of plans and application of conservation treatments, and the conduct of snow surveys to develop stream-flow forecasts in Western states; and
3. Operation of plant material centers to assemble, test, and encourage increased use of promising plant species in conservation programs.

River Basin Surveys and Investigations Program: The Service administers the Cooperative River Basin Surveys and Investigations Program in the Department. This includes the development of guiding principles and procedures. The program involves cooperation with other federal, state and local agencies in the conduct of river basin surveys and investigations in order to aid in the development of coordinated water resource programs. Also included is representation of the Department on the Water Resources Council, river basin commissions and river basin interagency committees for coordination among federal departments and states.

Watershed Planning Program: The Service has general responsibility for administration of the Watershed Planning Program including development of guiding principles and procedures. The activities conducted under this program consist of (a) making investigations and surveys of proposed small watershed projects in response to requests made by sponsoring local organizations, and (b) assistance to sponsors in the development of watershed work plans.

Watershed and Flood Prevention Operations Program: The Service has general responsibility for administration of the Watershed and Flood Prevention Operations Program, including development of guiding principles and procedures. The activities include:

1. Watershed Operations: Cooperation with local sponsors, state and other public agencies in the installation of planned works of improvement in approved watershed projects. Such works of improvement reduce erosion, floodwater and sediment damage. They also further the conservation, development, utilization, and disposal of water, including the development of recreational facilities and improvement of fish and wildlife habitat.

2. Flood Prevention Operations: Planning and installing works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water. This may also include the development of recreational facilities and the improvement of fish and wildlife habitat. Activities are authorized in 11 Flood Prevention watersheds.
3. Loans to local organizations to help finance the local share of the cost of carrying out planned watershed and flood prevention works of improvement. Loans are made on an insured basis from the Agricultural Credit Insurance Fund administered by the Farmers Home Administration.

Great Plains Conservation Program: The Service has general responsibility for administration of the Great Plains Conservation Program, authorized by PL-1021, 84th Congress. Activities include:

1. Cost-sharing of conservation practices under long-term contracts with farmers and ranchers in designated counties of the ten Great Plains States.
2. Technical services to help make needed land use adjustments and install conservation measures specified in basic conservation plans in accordance with contract schedules.

The functions of the Great Plains Conservation Program are proposed to become a part of the Department's fiscal year 1975 Rural Environmental Program. Unexpended balances will be transferred July 1, 1974, to the Agricultural Stabilization and Conservation Service.

Resource Conservation and Development Program: The Service has general responsibility, under the provisions of Section 102, Title I of the Food and Agriculture Act of 1962, for leadership and direction of this program. Activities include:

1. Investigations and surveys to help local sponsors develop overall programs and plans of land conservation and utilization.
2. Technical services and financial assistance to sponsors, local groups and individuals in carrying out such plans and programs.
3. Making loans for resource improvements and developments in approved projects. Loans are made on an insured basis from the Agricultural Credit Insurance Fund administered by the Farmers Home Administration.

Program Administration: The Service maintains its central office in Washington, D. C. Most of its activities, however, are decentralized; they are carried out in all 50 states and Puerto Rico. Four technical service centers provide professional services, program coordination and technical support. This includes services such as engineering and watershed planning, cartographic work, soil mechanics laboratories, professional help in agronomy, soils, biology, forestry, information, plant materials, range conservation, other technical work, and provision of special laboratories. About 3,050 field offices carry on the technical programs in cooperation with conservation districts and other local sponsoring organizations.

Available Funds and Man-Years

1973 and Estimated, 1974 and 1975

Item	Actual:		Estimated		Budget Estimate	
	1973 :		Available, 1974 :		1975	
	:Amount	:Man-Years	:Amount	:Man-Years	:Amount	:Man-Years
Soil Conservation Service :						
Conservation Operations...	163,370,905	10,056	165,323,000	10,110	192,826,000	10,521
River basin surveys & investigations.....	11,855,375	569	12,341,000	578	14,167,000	573
Watershed planning.....	7,785,840	366	9,998,000	493	10,800,000	497
Watershed and flood prevention operations...	170,028,614	3,207	133,986,000	3,332	122,828,000	3,144
Great plains conservation program.....	18,113,500	367	18,172,000	367	---	---
Resource conservation & development.....	26,594,891	861	17,204,000	714	19,908,000	727
Total.....	397,749,125	15,426	357,024,000	15,594	360,529,000	15,462
Deduct allotments to other agencies.....	-13,856,495	-601	-13,002,000	-499	-12,332,000	-450
Net.....	383,892,630	14,825	344,022,000	15,095	348,197,000	15,012
Other obligations under USDA appropriations:						
Reimbursement for technical assistance to:						
Rural Environmental Assistance Program and Emergency Conservation measures.....	5,189,014	412	1,800,000	142	--	--
Other USDA agencies & within SCS.....	1,492,161	80	1,640,000	81	1,680,000	82
Allocations for technical assistance to:						
Water Bank Program.....	561,786	31	481,000	25	---	---
Non-metropolitan planning.....	94,395	6	100,000	5	---	---
Total, other USDA.....	7,337,356	529	4,021,000	253	1,680,000	82
Total, Agriculture Appropriations.....	391,229,986	15,354	348,043,000	15,348	349,877,000	15,094
Other Federal funds:	1,910,007	67	2,920,600	133	2,850,000	123
Non-Federal funds:	6,765,169	269	8,565,000	300	8,699,000	299
Total, Soil Conservation Service.....	399,905,162	15,690	359,528,600	15,781	361,426,000	15,516

End-of-Year Employment:	1973	1974	1975
	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Permanent full-time	14,040	13,260	13,100
Other	1,837	2,293	2,293
Total	<u>15,877</u>	<u>15,553</u>	<u>15,393</u>

(a) Conservation Operations

Appropriation Act, 1974	\$160,000,000
Budget Estimate, 1975	<u>192,826,000</u>
Increase in Appropriation	+32,826,000

Adjustments in 1974:

Appropriation Act, 1974	160,000,000	
Transfer to General Services Administration		
for rental of space	-134,000	
1974 Supplemental Appropriation for pay costs	<u>5,457,000</u>	
Adjusted base for 1975		165,323,000
Budget Estimate, 1975		<u>192,826,000</u>
Increase over adjusted 1974		+27,503,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
GSA Space rental costs.....	- -	+7,085,000	\$ 7,085,000
Annualization of the pay cost			
increase effective in FY 1974.....	\$ 12,543,000	+2,132,000	14,675,000
Soil surveys.....	23,210,000	-114,000	23,096,000
Technical programming, installation			
services, & snow surveys.....	127,980,000	+18,182,000	146,162,000
Operation of plant material centers...	1,590,000	+218,000	1,808,000
Total available.....	<u>165,323,000</u>	<u>+27,503,000</u>	<u>192,826,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Assistance to Conserva-	:	:	:	:
tion districts, communi-	:	:	:	:
ties & other cooperators:	:	:	:	:
(a) Soil surveys.....	\$ 23,769,895	25,026,000	+1,385,000	26,411,000
(b) Technical program-	:	:	:	:
ming, installation	:	:	:	:
services & snow	:	:	:	:
surveys.....	138,024,076	138,610,000	+25,878,000	164,488,000
(c) Operation of plant	:	:	:	:
material centers....	1,576,934	1,687,000	+ 240,000	1,927,000
Total available or estimate:	163,370,905	165,323,000	+ 27,503,000(1)	192,826,000
Proposed supplemental for	:	:	:	:
pay increase costs.....	- -	-5,457,000	:	:
Transfer to GSA.....	+ 69,095	+ 134,000	:	:
Appropriation.....	<u>163,440,000</u>	<u>160,000,000</u>	:	:

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Assistance to conserva-				
tion districts, commu-				
nities and other co-				
operators:				
(a) Soil Surveys.....	27,188,172	26,051,997	+359,003	26,411,000
(b) Technical program-				
ming, installa-				
tion services,				
& snow surveys.....	129,189,903	144,615,000	+19,873,000	164,488,000
(c) Operation of plant				
material centers:	1,545,934	1,742,000	+185,000	1,927,000
Total obligations.....	157,924,009	172,408,997 ^{a/}	+20,417,003(1)	192,826,000
Unobligated balance brought				
forward.....	-1,639,101	-7,085,997	+7,085,997	- -
Unobligated balance carried				
forward.....	+7,085,997	- -	- -	- -
Total available or estimate:	163,370,905	165,323,000	+27,503,000	192,826,000

^{a/} Based on the adjusted appropriation for 1974 of \$159,866,000 plus pay cost increases in 1974 of \$12,542,997.

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations" funds Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590a-590f). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture and reduce damage caused by floods and sedimentation. Activities include:

- Soil surveys - special investigations, and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other federal agencies, land grant colleges, other state agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many federal, state, county and local community programs. Special reports are prepared and released as needed for local uses.

Soil surveys are needed on the total 2.3 billion acres of land in the United States and the Caribbean Area. As of June 30, 1973, 1.2 billion acres of detailed, reconnaissance, and exploratory soil surveys had been mapped. Soil survey mapping will be completed on 38 million acres in FY 1975. Soil survey field work is being completed on about 75 counties or designated areas, annually. A cumulative total of 441 soil surveys will be in the process of being published during FY 1975. Of this total, 90 will be sent to the Government Printing Office.

- Technical programming, installation services, and snow surveys - includes Conservation Technical Assistance and Snow Survey and Water Supply Forecasting.

The Soil Conservation Service provides technical assistance to about 3,000 conservation districts. These districts formed under state enabling legislation and locally controlled have within their boundaries about 99 percent of the farms and ranches in the nation. Through these conservation districts, the Service provides technical help to more than 2,250,000 district co-operators who are primarily farmers and ranchers having land use and conservation problems.

More than 1,000,000 district cooperators receive help on an annual basis. About 13,500 groups of land users and over 25,000 state and local units of government will be assisted with problems of land use, conservation, or development.

Planning assistance is furnished to individuals, groups, and units of government concerned with use, treatment and development of land and water resources. Conservation plans developed by land users consist of soil and capability maps and other basic resource data interpreted for alternative uses and treatment, and recorded decisions to achieve conservation objectives. As of June 30, 1973, about 43 percent of the operating units in conservation districts had been planned with SCS technical assistance.

Installation services are provided to cooperating land users to help them apply planned conservation programs. These services include site investigation designs and specifications, construction plans, and layout of practices.

Technical services are provided to individual and group participants in the Rural Environmental Program for complete conservation plans and site selection, layout, or establishment of specified conservation practices.

Snow Survey and Water Supply Forecasting provides valuable service to irrigators and other user groups who rely upon snow data and water supply forecasts in planning their annual operations. More than 9,000,000 acres of irrigated land in the Western States are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are also helpful to a wide variety of other water management groups that have responsibility for activities such as flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply and water quality management. A plan to replace, over a five year period, nearly one third of the 1,600 mountain snow courses, where data are manually collected, with 500 automated sites has been initiated.

- Operation of plant material centers - Plant material centers are operated for selection and testing of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the twenty centers includes cooperation with state and federal agencies, commercial concerns and seed associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water Conservation programs. Over 110 new conservation plant varieties from this program are in large-scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. An average of five new conservation plants are released each year for conservation purposes.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$27,503,000 in appropriation for Conservation Operations (\$165,323,000 appropriated in 1974). On the basis of available funds including carryover in 1974, the increase in 1975 is \$20,417,003 consisting of:

GSA Space rental costs.....	\$ +7,085,000
Annualization of pay cost increases	
effective in fiscal year 1974.....	+2,132,003
Technical assistance to the Rural	
Environmental Program.....	+11,200,000

The increase of \$11,200,000 for technical assistance to the Rural Environmental Program will provide direct financing for all SCS technical assistance that in the past has been provided with funds appropriated for the separate cost-sharing programs; Great Plains Conservation Program, Agricultural Conservation Program (REAP), Water Bank Program and Emergency Conservation Measures. The program level proposed is an increase of about \$5,119,000 over the amount SCS expects to receive for providing technical services for the separate cost-sharing programs in 1974. The additional funds are necessary to enable SCS to service the increased program level for long-term contracting in 1975.

The 1975 proposal will continue the 1974 program level in total and will finance the full mandatory increases for pay and GSA space costs. Unanticipated carryover balances available for use in 1974 are budgeted to help finance the cost of publishing soil survey manuscripts and for absorption of part of the added pay costs. The 1975 program level for each activity is at about the 1974 level adjusted for the use to which were put the funds carried forward from 1973.

Ninety soil survey reports were completed and sent to the Government Printing Office in 1973. The funds available will enable the Service to submit 90 soil surveys to the GPO in 1974 and another 90 in 1975. The Service expects to complete 39 million acres of soil surveys in 1974 and 38 million acres in 1975.

STATUS OF PROGRAM

Current Activities: The Soil Conservation Service established to carry out provisions of the Act of April 27, 1935, (16 U.S.C. 590a - 590f), is the technical agency of the United States Department of Agriculture. The Service provides professional leadership to conservation districts and other organizations in matters of soil and water conservation. It provides technical assistance to landowners, units of government, operators and groups in developing land use programs and in planning and installing conservation measures.

The basic objectives of conservation operations include use of land within its capability and applying treatments in accordance with its need for protection and improvement.

Cooperative Work with Local Conservation Districts

Conservation operations are carried on primarily in cooperation with nearly 3,000 soil and water conservation districts. These districts are local units of government formed under authority of state laws and operate under local initiative, direction, and control. Local people provide the leadership needed to effectively advance the conservation objectives of the districts. The practical experience of land users is combined with the scientific knowledge and skills of professional conservationists to develop and carry out locally-adapted conservation programs.

The Soil Conservation Service furnishes technical and other assistance to districts under the terms of memorandums of understanding. Service technicians are assigned to work directly with landowners and operators. They help to develop conservation plans for individual farms, ranchers, or other units of land. They also help develop schedules for the application of needed combinations of practices.

Rural Development

The Soil Conservation Service is the Department's technical assistance agency in soil, water, and related resource conservation, development, and use, and as such has a major responsibility to help rural leaders and residents determine land capability and potential uses through furnishing facts and interpretations of soil, water, and related resources. It also provides planning assistance to state and local rural development committees and other planning and development agencies and organizations. Goals of this assistance includes control of erosion, water management, protection and improvement of public facilities, location of industries in nonmetropolitan areas and promoting resource-related economic development.

Types of Assistance Furnished

Technical services and other assistance furnished to landowners and operators and others by the Soil Conservation Service under this appropriation include the following activities:

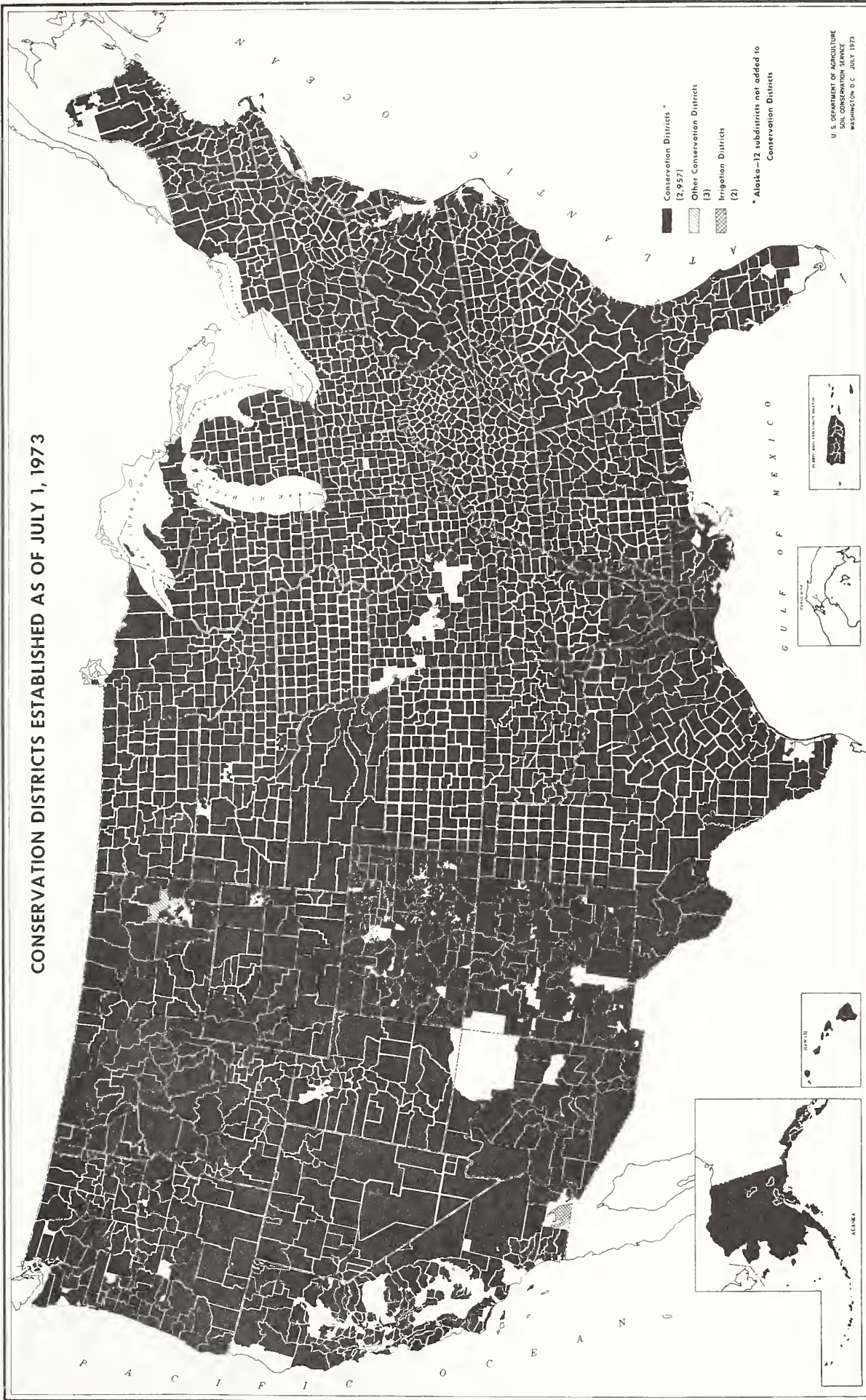
1. Soil surveys special investigations and interpretations are made to determine the kinds of soil, potential alternative uses of the soils, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other federal agencies, the land grant colleges, other state agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many federal, state, county and local community programs. Special reports are prepared and released as needed for local uses.

2. Resource conservation planning and land treatment assistance of the following kinds is made available:
 - a. Planning assistance is furnished farmers, ranchers, other land users and groups of land users, and to state and local units of government involved in establishing public policy regarding the use and treatment of land. Technical assistance is used to determine alternative land uses and treatment needs. The conservation plan developed consists of a soil and capability map and other basic resource data interpreted for alternative uses and treatment, and the land user's recorded decisions to achieve his conservation objectives.
 - b. Installation services are provided to cooperating land users to help them apply planned conservation programs. Such assistance includes site investigations, designs and specifications, construction plans, and layout of practices.
 - c. Technical help is furnished to people acting together to make group decisions about neighborhood and community soil, water, and related resource problems, needs and opportunities. Assistance involves preparing inventories and evaluations essential for sound group plans. Such plans typically involve efficient use or disposal of water, stabilization of critical areas, reduction of stream pollution or the prevention of flood and sediment damages.
 - d. Technical assistance, such as inventories, evaluations, and interpretations of soil, water, and related resource data, is provided to individuals, groups, and units of government concerned with the use and development of land and water resources. This includes the furnishing of soils, vegetative, biology and water management data suitable for making land use and treatment decisions. These services are furnished in cooperation with state or local agencies and local organizations, such as agricultural experiment stations, highway departments, planning and zoning boards, and tax commissions.
 - e. Technical services are provided to individual and group participants in the Rural Environmental Program for site selection, layout, or establishment of specified conservation practices. Cost-sharing is offered for both annual and long term agreements. The latter are based on approved conservation plans.
3. Snow surveys are conducted in the Western States. The basic data collected provide the basis for making water supply forecasts. The forecasts provide estimates of runoff volumes (both short term and seasonal) available for irrigation use, stream and reservoir regulation, power generation and other purposes. Data collected are also valuable for predicting when the potential for flood flow exists. Water supply forecasts are supplied to the public, to other state and federal agencies, to groups of water users and to individuals for their guidance in the efficient use and management of available water supplies.
4. Plant material centers are operated for selection and testing of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work of these centers includes cooperation with state and federal agencies, commercial concerns and seed associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water conservation programs.

Local, State and Federal Participation
in Conservation District Programs

Officials of conservation districts provide the local leadership for development and operation of appropriate land use and conservation treatment programs on private lands. They solicit local, state and federal participation in locally-

CONSERVATION DISTRICTS ESTABLISHED AS OF JULY 1, 1973



adapted programs that conserve and improve land and water resources. Over the years they have developed cooperative ways of financing conservation programs in recognition of the numerous public and private benefits. The 2 million private landowners and operators, who cooperate in district programs, finance more of the program cost than all public sources combined. In addition, state and local contributions have continued to increase in recent years.

Status of District Organization as of 6/30/73

A total of 45 new conservation districts were formed in 1973 fiscal year. One hundred seven previously established districts were merged or consolidated with other districts. Overall, the total number of districts decreased by 62. This resulted in the transfer of over 62 million acres between districts. Over 3 million acres were added to 23 existing districts. The net increase of new territories brought into districts in 1973 was 375,493,102 acres. About 97 percent of the total farm and ranch lands and about 99 percent of the farms and ranches in the nation are now within the boundaries of conservation districts. The following table shows the classification, number and area of districts and number of farms as of June 30, 1973.

Summary of Conservation Districts Organized, by Kinds of Districts, Cumulative to July 1, 1973:

Kind of District	State	Districts	Approximate Area	Farms
	49*	No.	Acres	No.
Soil & Water Cons. Dist.	States	2,931	2,203,621,163	2,685,277
	Caribbean			
Soil & Water Cons. Dist.	Area	18	1,946,958	33,153
Work Areas (called Dist.)	Conn.	8	3,112,000	4,490
Grass Cons. Districts	Mont.	3	1,388,071	281
Imperial Irrigation Dist.	Calif.	1	908,195	822
Elephant Butte				
Irrigation District	N. Mex.	1	133,588	52
Total Conservation Districts		2,962	2,211,109,975	2,724,075

Land in farms in districts (Acres):		%
United States	1,029,700,958	96.71
Caribbean Area	1,335,959	100.00
Total	1,031,036,917	96.72
Farms in districts (Number):		%
United States	2,690,922	98.56
Caribbean Area	33,153	100.00
Total	2,724,075	98.58

*Excludes Connecticut (shown separately).

Projected District Organization

A total of 8 new soil and water conservation districts are expected to be organized in the 1974 fiscal year. Another 6 new districts are projected for 1975. The following table shows the current projection with estimated number of farms and acreage included:

	Number of Districts	Acreage in Districts		Number of Farms
		Total Area	Land in Farms	
<u>Actual</u>				
June 30, 1972	3,024	1,835,616,873	1,067,157,870	3,170,498
Average per SCD	---	607,016	352,896	1,048
June 30, 1973	2,962	2,211,109,975	1,031,036,917	2,724,075
Average per SCD	---	746,492	348,088	920
<u>Estimate</u>				
June 30, 1974	2,970	2,216,710,000	1,033,837,000	2,731,275
Average per SCD	---	746,000	348,000	920
June 30, 1975	2,976	2,221,186,000	1,035,925,000	2,736,795
Average per SCD	---	746,000	348,000	920

The number of farms shown is based largely on the 1969 Census of Agriculture, adjusted slightly to reflect continued changes in total number of farms in the United States. The average size of farms in districts as of June 30, 1973, was 378 acres. Trends in recent years have been to larger farms and to more specialization. Conservation plans must be revised to reflect land use changes and to meet new problems arising from such changes. Continuation of these trends and subdivisions of private properties are expected.

Information Services

Information activities of the Soil Conservation Service are carried out through nearly 3,000 field offices, 50 state offices and the Commonwealth of Puerto Rico, 4 technical service centers and the Washington Office. Information concerning work and accomplishments of the Service is provided to news media, educators, and the public. The information program is directed toward helping people understand the causes and extent of natural resource problems; showing how to correct or prevent them; and suggesting ways to make improvements in the environment.

Service information work also supports Department-wide programs by explaining how conservation activities contribute to improvement of environmental quality and enlargement of economic and social opportunities in rural areas. Information concerning PL-566 Watershed work and Resource Conservation and Development project action, and other Service programs stimulates local people to develop plans for natural resource conservation and related needs such as recreation developments, pollution abatement, and homesite developments.

Service information materials include press releases, photographs and picture stories, slide sets, publications, speeches, magazine articles and article ideas, short radio and television spot announcements that are aired by stations as a public service, and radio and TV featurettes and interviews distributed by the USDA Office of Communication.

SCS publications include the results of surveys, studies, and field evaluations of soil and water conservation problems and accomplishments. Nine pamphlets on soil survey information and how it can be used in making wise land use decisions are scheduled for release during fiscal year 1974. Among the users of pamphlets such as these are farmers and ranchers, homebuyers, construction engineers, developers and builders, land use planners, recreation area planners, students, and those who plan for waste disposal on land or appraise farmland.

Also scheduled for release in fiscal year 1974 are two brochures on how conservation activities contribute to improvement of environmental quality and rural development. One reports a study of the economic and social benefits from lakes and surrounding recreation areas in five small PL-566 watershed projects.



Above, this road constructed on organic soil was damaged due to uneven subsidence as the soil moisture fluctuated. Soils in certain areas have a high water table and are subject to flooding (below). Both soils have severe limitations for housing, septic tank filter fields, roads, airports, pipelines, transmission lines, etc. A soil survey will identify these different kinds of soil and show their location and extent on aerial photographs. Soils data are interpreted so problems such as these can be avoided.



The second describes how resource conservation and development projects are created, explains the kinds of assistance the Department provides, and illustrates some of the many kinds of resource conservation measures that contribute to rural development.

Technical information is being supplied by local SCS offices to increasing numbers of schools, colleges, and adult groups for conservation studies and projects. The Service focuses its work on technical assistance for specific conservation projects planned and implemented by teachers and students in the development of outdoor classrooms. These outdoor classrooms provide opportunities for young people to learn about proper use and care of natural resources and demonstrate on locally-owned public land the principles of conservation land use and management. Progress in a few states is indicative of popularity and success of outdoor classrooms. Texas now has 343 projects in progress; Indiana has assisted 118 schools and 50 are waiting for help; Wisconsin has 101 plans in process and 98 schools are waiting for service.

SCS continues to work with Boy Scouts in their on-going national Save Our American Resources (SOAR) campaign and with Girl Scouts in their national Eco-Action program. SCS gave technical and conservation management assistance for proper use and care of Boy Scout and Girl Scout properties in every state. SCS assisted with conservation instruction programs at two National Boy Scout Jamborees where more than 75,000 Scouts and their leaders had an opportunity to see demonstrations of conservation practices and learn how conservation can be applied in community improvement projects. SCS also has helped the Future Farmers of America in their community development and soil judging programs, 4-H clubs in environmental improvement projects and conservation seminars, conservation district youth boards in their natural resource conservation action projects, and a wide variety of other volunteer youth organizations.

Purpose and Use of Soil Surveys

Soil surveys provide the basic inventory of soil resources upon which conservation programs are designed to reduce erosion and to preserve the quality of the environment. Soil surveys are needed to plan runoff and erosion control measures which reduce the amount of sediment and other pollutants in streams and the costly waste of soil. The findings from a soil survey enable land users to predict how each kind of soil responds to use, management, and treatment. Soil surveys help farmers locate those soils that are best suited for crops, and that are most responsive to management. They are of vital importance to planning engineers, zoning commissions, tax commissioners, homeowners, developers and others. Farms, wildlife and recreation areas, commercial and industrial sites, homesites, subdivisions, highways and airports have suffered severe losses when they were located on soils not suited for such purposes and special treatment was not provided to compensate for unfavorable soil conditions. In many instances soil survey information in the selection of sites would have resulted in decreased initial construction cost as well as lower maintenance cost and fewer failures of structures.

The total effort in soil surveys is known as the National Cooperative Soil Survey. Soil surveys are carried out in cooperation with the state agricultural experiment stations under memoranda of understanding. Other state, federal and local agencies contribute to soil survey work and advise on methods and priorities in the National Cooperative Soil Survey. A major objective of the National Cooperative Soil Survey is to provide published soil surveys of counties or other comparable size areas for widespread use by interested agencies, organizations and individuals.

The nationwide system of soil classification was developed by the Soil Conservation Service in cooperation with other interested agencies of state and local governments and many foreign contributors. In carrying out soil surveys, soils are studied in the field and in the laboratory and boundaries are plotted on aerial photographs. Soil interpretations explain alternative uses of the soils. The results of all research on soils and of experience in using them contribute to these explanations. Soil properties are rarely uniform over broad areas. Close adherence to a nationwide

system of soil classification allows knowledge and experience gained from a particular kind of soil to be used in other areas where similar soils are known to exist. In addition, because the system of soil classification has some worldwide application, it is useful to soil scientists throughout the world, particularly in countries where little is known about the soils.

Soils must be selected and used prudently if the quality of the environment is to be improved and maintained. The best agricultural land must be identified and used in maintaining high production of food and fiber. Also, new, more attractive urban and rural living areas and economic opportunities for all people must be developed. Soil surveys form one basis for town-and-country planning. Such planning leads to better homes, farms, cities, forests, parks, water surfaces, wildlife habitat, and recreation areas. Land use planners have already found how conservation and environmental improvement plans can be made better with the help of soil surveys.

As of June 30, 1973, detailed soil maps that meet the current standards for all potential users had been prepared on 811,980,800 acres and reconnaissance soil maps on 48,108,368 acres for a total of 860,089,168 acres. In addition, exploratory soil survey maps have been prepared on 337,516,000 acres of rough mountainous areas in Alaska.

Mapping Progress

<u>Fiscal Year</u>	<u>Conservation 1/ Operations</u>	<u>Other SCS 1/ Programs</u>	<u>Other 2/ Cooperators</u>	<u>Total Acres Mapped</u>
1973 Actual	43,398,529 3/	2,724,730	872,723	46,995,982
1974 Estimate	35,000,000 4/	3,000,000	1,000,000	39,000,000
1975 Estimate	35,000,000	2,000,000	1,000,000	38,000,000

- 1/ Also includes soil surveys made by the SCS that are financed by other federal agencies, state and local agencies and other groups.
- 2/ Includes soil surveys made by other federal agencies, state agricultural experiment stations, and other state and local agencies.
- 3/ In addition, an exploratory soil survey was made on 63 million acres of rough mountainous areas in Alaska.
- 4/ In addition, an exploratory soil survey is planned for about 17 million more acres of rough mountainous areas in Alaska.

Soil Survey Publications

A total of 90 soil surveys including maps with explanatory text were edited and submitted to the Government Printing Office for printing during fiscal year 1973. Soil Surveys of the following 45 counties or soil survey areas were published and distributed in fiscal year 1973:

Alabama
Chilton County

Colorado
Otero County

Arkansas
Arkansas County

Florida
Pinellas County

Arizona
Tucson-Avra Valley Area

Georgia
Dawson, Lumpkin, and White Counties

California
Northern Santa Barbara Area
Sonoma County
Yolo Area

Hawaii
Islands of Kauai, Oahu, Maui, Malokoi, and Lanai

Idaho
Canyon Area

New Hampshire
Strafford County

Illinois
Edwards and Richland
Counties

Indiana
Delaware County
Lake County

Iowa
Woodbury County

Kansas
Lane County

Kentucky
Grayson County
Madison County

Maine
Somerset County, So. Part

Maryland
Anne Arundel County

Michigan
Genesee County
Ottawa County

Minnesota
Pope County
Swift County

Mississippi
Lee County
Marshall County

New York
Cayuga County
Monroe County
Niagara County

North Carolina
Alleghany County

North Dakota
Walsh County

Ohio
Van Wert County
Warren County

Oregon
Marion County

South Carolina
Pickens County

Tennessee
DeKalb County
Obion County

Texas
Erath County
Jones County
Montgomery County
Ochiltree County
Starr County

Washington
Clark County

West Virginia
Jefferson County

The current goals are to submit 90 soil surveys to the Government Printing Office for publication in fiscal year 1974 and another 90 in fiscal year 1975.

Special Soil Reports

As a part of soil survey assistance, copies of field sheets, charts, and maps and related special soil interpretations are provided to local officials, planning commissions and others. These special reports are designed to meet specific, immediate needs of local people and are generally prepared for portions of a county in which a soil survey is in progress. Local funds are provided to cover part of the extra cost of reproducing the special report.

During fiscal year 1973, there were 447 special interpretation reports prepared and made available for local uses. Current estimates are that about 520 of these special reports will be prepared in fiscal year 1974 and another 600 in fiscal year 1975.

Resource Conservation Planning Assistance

Resource conservation planning assistance is furnished to individuals, groups, and units of government to help them plan solutions to problems associated with the development and use of soil and water resources. Generally, this assistance results in individual plans, group conservation plans, resource plans which are developed by units of government, or inventories and evaluations based on

resource data. These plans provide for the use, development, and conservation of soil, water and related resources. They meet the needs and desires of those who own, use or control the resources and at the same time meet the increasing needs of the community and nation in the development and maintenance of soil and water resources.

Conservation Planning: In meeting the current needs of the nation for an all out thrust in food production, the Service will provide accelerated planning assistance to the land users that will enable them to increase production and protect valuable soil and water resources. Planning assistance will include applying soil survey information as a basis for selecting the most promising acreage for more intensive farming and develop or update conservation plans to reflect decisions and alternatives arrived at to meet the nation's production objectives.

Planning assistance is provided to users of individual land units; including farmers, ranchers, units of government and others owning or using land. Current technical information is provided to help them make wise land use decisions which fit their own objectives but which, at the same time, meet national objectives to maintain the soil and water resource base, reduce erosion, and control agricultural related pollutants, and thereby help maintain a quality environment. Conservation plans which are jointly developed reflect needed land conversions, conservation treatment, and installation schedules specifically tailored to the labor, equipment, capital, and managerial ability of the individual land user.

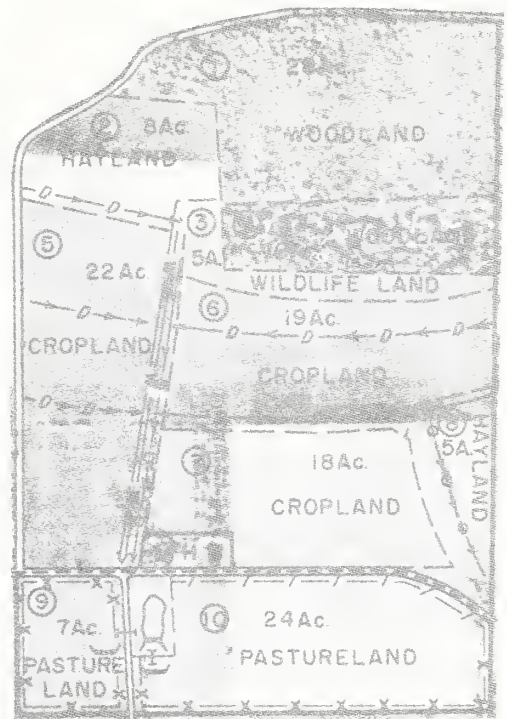
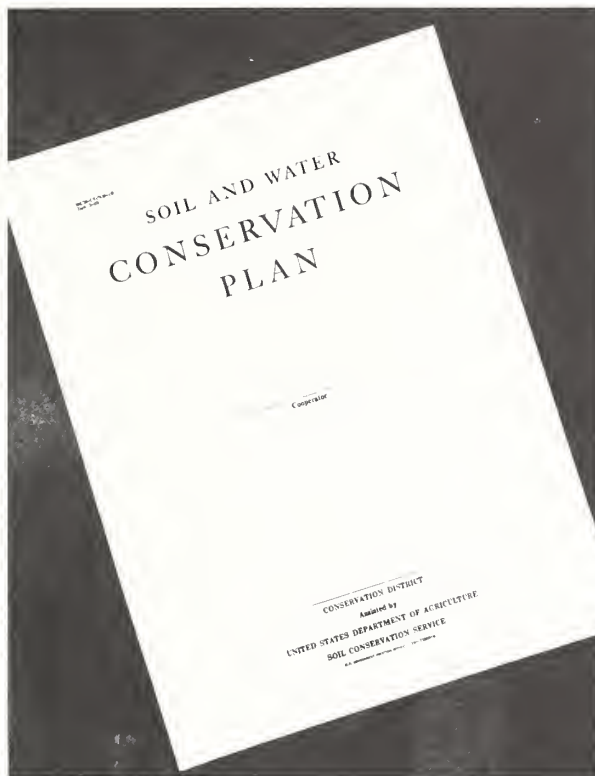
Planning assistance is provided to groups and communities to help them solve soil, water, and other related resource problems common to the group or community and which can effectively be solved only by people working together in groups. Assistance includes soil, water, plant, and other resource inventory data applicable to current and anticipated planning needs. The Service assists the group or community to explore alternative solutions in development of plans to meet desires and objectives of the group in management and development of their resources. Assistance varies in accordance with complexity of resource problems. Groups and communities are encouraged to avail themselves of programs providing financial or other assistance.

Planning assistance to units of government has continued to increase because people rely more on their local governmental units to provide development and rehabilitation assistance. Essential to the planning needs of units of government are Service inventories and evaluations of land use limitations and suitability for projected uses. Inventories and evaluations are being provided to solve soil, water, and related problems created through urban expansion, industrial and other developments. This technical data provides the basis for development of comprehensive plans, land use and treatment ordinances, water laws, taxation, and other governmental devices essential to sound land use and management.

Plan Revision: Assistance in keeping conservation plans and inventories current is provided to all decision makers; individuals, communities and units of government. These decision makers must revise and modify plans as objectives, technology, economics, and other factors change. The Service assists them adapt to changing conditions by providing updated soil and water resource information.

Status of Conservation Planning Activity

The following table shows district cooperators and progress in farm and ranch conservation planning with Soil Conservation Service technical assistance.



CONSERVATION PLAN MAP

Land users prepare conservation plans with the assistance of the Soil Conservation Service. Soil maps and other resource inventories are guides for selecting land use and conservation practices to be applied to the land. Below, a Missouri farmer reviews his conservation plan with an SCS conservationist before carrying out current year field operations. Over one million district co-operators received SCS planning and application assistance last year.



Item	Current Year a/ Increase Decrease		Net Change	Cumulative in SCD's June 30 b/
	<u>Fiscal Year 1973 (Actual)</u>			
Number of district cooperators.....	83,235	-62,500	+20,735	2,278,927
Number of conservation plans:				
Developed.....	65,515	-45,718	+19,797	1,802,263
Revised.....	28,224	---	---	---
	<u>Fiscal Year 1974 (Estimate)</u>			
Number of district cooperators.....	85,000	-71,927	+13,073	2,292,000
Number of conservation plans:				
Developed.....	65,000	-49,236	+15,737	1,818,000
Revised.....	26,000	---	---	---
	<u>Fiscal Year 1975 (Estimate)</u>			
Number of district cooperators.....	85,000	-73,000	+12,000	2,304,000
Number of conservation plans:				
Developed.....	66,000	-50,000	+16,000	1,834,000
Revised.....	26,000	---	---	---

a/ Figures are for the Conservation Operations program only. In addition, a total of 6,250 conservation plans and 2,791 revisions of plans were prepared in 1973 under other land treatment programs administered by the Soil Conservation Service.

b/ Totals under all current operating programs.

As of June 30, 1973, about 43 percent of the operating units in conservation districts had been planned with technical assistance from the Soil Conservation Service under all programs which it administers. The 1,802,263 conservation plans as of June 30, 1973, comprise 603 million acres, or about 45 percent of the total agricultural land in the United States. The following table shows the percentages by States:

Conservation Planning in Conservation Districts
By States and Nationally, June 30, 1973

States	Total CD's as of 6/30/73 Number	Operating Units in CD's		Conservation Plans Prepared as of 6/30/73		% of Operating Units Planned	
		Number	Acres	Number	Acres	%	%
Northeast							
Connecticut	8	16,502	1,267,822	3,266	331,042	19.8	26.1
Delaware	3	7,722	1,077,283	2,677	385,557	34.7	35.8
Maine	16	73,841	15,837,751	8,704	1,681,939	11.8	10.6
Maryland	24	34,904	5,290,817	17,583	1,909,455	50.4	36.1
Massachusetts	15	16,311	2,150,910	8,552	852,519	52.4	39.6
New Hampshire	10	34,209	4,529,846	4,889	777,253	14.3	17.2
New Jersey	15	10,152	1,273,676	4,622	535,700	45.5	42.0
New York	56	119,640	16,220,914	28,526	4,145,336	23.8	25.6
Pennsylvania	66	109,391	19,271,159	37,970	6,690,034	34.7	34.7
Rhode Island	3	5,850	507,700	1,391	123,959	23.8	24.4
Vermont	14	13,737	2,154,300	8,288	1,605,449	60.3	74.5
Virginia	39	115,923	18,833,861	34,700	5,561,795	29.9	29.5
West Virginia	14	71,518	12,742,123	34,124	4,486,168	47.7	35.2
Caribbean	18	45,764	1,923,600	18,311	984,628	40.0	51.2
Total	301	675,464	103,081,762	213,603	30,070,834	31.6	29.2

States	Total CD's as of 6/30/73	Operating Units in CD's		Conservation Plans Prepared as of 6/30/73		% of Operating Units Planned	
	Number	Number	Acres	Number	Acres	Number	Acres
South							
Alabama	67	101,913	23,248,295	50,845	10,028,405	49.9	43.1
Arkansas	76	121,866	30,052,824	91,616	18,769,109	75.2	62.4
Florida	60	58,726	25,908,112	23,317	7,999,879	39.7	30.9
Georgia	27	152,981	31,337,635	97,434	17,662,247	63.7	56.4
Kentucky	121	183,292	22,285,546	57,554	7,443,790	31.4	33.4
Louisiana	35	91,054	25,877,402	44,704	9,290,927	49.1	35.9
Mississippi	82	140,005	24,759,734	70,035	13,490,713	50.0	54.5
New Mexico	51	18,449	58,130,524	9,460	31,413,001	51.3	54.0
North Carolina	92	187,672	21,385,775	60,840	7,174,191	32.4	33.5
Oklahoma	88	135,569	40,179,251	96,423	28,921,887	71.1	72.0
South Carolina	45	92,753	17,385,121	39,841	6,651,806	42.9	38.3
Tennessee	95	159,002	20,003,131	46,182	6,140,433	29.0	30.7
Texas	193	294,556	157,978,057	193,214	107,378,565	65.6	68.0
Total	1,032	1,737,838	498,531,407	881,465	272,364,953	50.7	54.6
Mid-West							
Illinois	98	147,634	29,516,753	54,056	9,361,222	36.6	31.7
Indiana	91	130,478	19,268,327	43,276	6,094,307	33.2	31.6
Iowa	100	155,071	34,082,779	73,328	13,906,400	47.3	40.8
Kansas	105	135,665	48,756,433	83,003	28,423,061	61.2	58.3
Michigan	85	114,056	19,393,977	45,683	5,765,035	40.1	29.7
Minnesota	91	132,927	34,422,097	37,180	8,012,193	28.0	23.3
Missouri	98	154,974	32,270,941	33,109	6,833,998	21.4	21.2
Nebraska	24	97,200	47,864,565	52,106	24,276,481	53.6	50.7
Ohio	88	149,384	20,539,771	56,196	7,346,399	37.6	35.8
Wisconsin	72	115,203	23,295,446	36,461	6,275,810	31.6	26.9
Total	852	1,332,592	309,411,089	514,398	116,294,906	38.6	37.6
West							
Alaska	1	1,653	563,075	429	94,444	26.0	16.8
Arizona	31	8,191	38,147,987	4,480	11,133,388	54.7	29.2
California	156	89,716	36,056,062	31,272	10,581,937	34.8	29.3
Colorado	88	33,518	42,334,971	16,265	22,536,843	48.5	53.2
Hawaii	15	3,994	3,729,526	1,537	1,679,763	38.5	45.0
Idaho	52	39,028	18,329,333	12,599	6,670,681	32.3	36.4
Montana	61	26,751	66,551,142	10,933	32,745,060	40.9	49.2
Nevada	37	3,408	28,402,000	1,710	3,848,827	50.2	13.6
North Dakota	65	51,092	43,029,340	33,579	27,592,480	65.7	64.1
Oregon	56	47,958	27,853,978	13,523	9,016,129	28.2	32.4
South Dakota	69	46,044	46,210,181	27,952	21,690,425	60.7	46.9
Utah	41	21,210	23,655,164	10,909	9,975,985	51.4	42.2
Washington	66	69,920	20,929,451	21,843	8,248,539	31.2	39.4
Wyoming	39	10,211	42,810,854	5,766	18,269,448	56.5	42.7
Total	777	452,694	438,603,064	192,797	184,083,949	42.6	42.0
National Total	2,962	4,198,588	1,349,627,322	1,802,263	602,814,642	42.9	44.7

Conservation Practice Installation Services

The Soil Conservation Service furnishes technical assistance to land users to help them apply planned conservation measures. This includes design, layout and onsite technical assistance for the installation of the measures. Technical assistance when needed, is available for the maintenance of applied practices. More than a hundred soil and water conservation practices are used nationally for erosion control, water management, and improved land use. Managerial and vegetative practices are used in appropriate combinations with structural measures.

Technical help in establishing practices: Conservation practices are usually scheduled for installation when the cooperator has adequate labor and equipment available, or on a seasonal basis to take advantage of favorable conditions. Thus, timing of technical help is important. Sequence of jobs also must be scheduled, for example: suitable outlets before terrace systems, main drains before lateral ditches, and assistance on the soil and water conservation aspects of subdivision work before grading and shaping begins.

Land users provide some help on layout of practices. Unless technical help can be furnished when needed, it is often necessary to delay practice installation until the next year. For these reasons, the application of planned practices is of high priority at certain seasons in most areas. This is particularly true for conservation practices that need to be established immediately if we are to protect the land and, at the same time, meet national production goals.



In Nebraska, animal wastes from a farm feedlot are held in a lagoon to prevent their becoming pollutants. Below, wastes stored in such facilities are being applied to the land through a sprinkler irrigation system. This use of animal wastes provides plant nutrients beneficial to crop production.





Planting in the residue of a previous crop, as shown above, is rapidly gaining favor with conservation farmers. Plant residues protect the soil from erosion caused by wind and water and conserve existing moisture as well as that which falls during the growing season. Below, on a Kentucky farm, production is equal to or better than that obtained through conventional tillage methods. Holding tillage to a minimum saves fuel and reduces equipment costs.





Beef cattle in South Dakota, thrive on this range made productive through proper grassland management. Below, Georgia cattle flourish on wet grasslands managed for high forage yields.





Conservation aids and temporary employees are often used during the peak workload seasons to meet these increasing demands. Additional employment with state or local funds is encouraged to help process seasonal workloads.

Counseling on financing of conservation work: Some land owners and operators have sufficient capital to pay the costs of practice installation. On a national basis, they finance more than half of the estimated total program costs. Most of them rely on their annual income to finance conservation work and must consider economic returns. Low income farmers often require loans and local sources of credit to finance practice installation. Soil Conservation Service conservationists counsel with land owners and operators on these matters to help assure that capital investments are made on a sound financial basis to assure short as well as long-term benefits. Local conservation contractors are used when landowners install conservation practices. This provides a sizeable amount of local employment.

Technical services with Rural Environmental Program: Many land users can be expected to utilize cost-sharing assistance under REP to finance part of the cost of installing their conservation practices. This is done through annual and long-term agreements. The latter are based on approved conservation plans.

For certain permanent-type practices completed under the previous Rural Environmental Assistance Program, the Soil Conservation Service furnished technical services on determination of need and feasibility, site selection, supervision of practice installation and certification of completed work. During the 1972 program year, 271,837 program participants were provided technical services in response to program referrals received by SCS field offices. About half the cost of this assistance was financed through county transfers authorized to be made from ASCS program funds, and half was absorbed as a part of the regular SCS conservation operations work in districts.

Assistance to Neighborhoods and Communities

The Soil Conservation Service provides technical help to groups of landowners and operators in the planning, design and construction of erosion control and water management jobs that provide community-type benefits. These jobs may involve a few adjoining farms that have closely related conservation problems, land within the watershed of small tributary streams, or an entire community. In the 1973 fiscal year, 3,326 group conservation jobs were planned. Cumulatively, a total of 21,219 such community-type jobs have been prepared under the conservation operations program.

Community benefits include prevention of flood damages, reduction of health hazards, improved water management, outdoor recreation facilities and pollution abatement through sediment control. The costs of such jobs are financed mainly by the cooperating landowners even though many public benefits result from the jobs installed. The work improves sources of municipal water, reduces damages to local roads, structures, and public utilities, and controls sedimentation in reservoirs and streams. There is increasing need for such community-type group jobs in many rural areas where there is rapid population growth and urban expansion.

Recreation and the Environment

Within the Department, the Soil Conservation Service has leadership in the development of recreation enterprises on nonfederal lands. Approximately 46,700 recreation developments were established or expanded with technical assistance from the Service during FY 1973. Approximately 12 million acres of land have been converted to wildlife-recreation use to date. The Service has provided assistance in the establishment of 11,000 miles of recreation trails and walkways, 170,000 acres of heavy use area protection, and 1,200,000 acres of recreation area improvement. Enhancement of the environment has resulted from the conservation treatment established on farms, ranches, and other lands, roadbanks, streambanks, surface mined areas, and around homesites.

Pollution Abatement

In all of its programs, the Soil Conservation Service emphasizes land use and conservation treatment practices which contribute to pollution abatement. Environmental pollutants, such as dust, stream sediment, plant and animal pesticides and animal waste from farms are reduced by means, such as establishment of trees, shrubs, and grass on eroding areas, installation of debris basins and other structures for sediment control and reduction, and installation of lagoons, holding ponds, irrigation systems and other facilities to safely return animal wastes to agricultural lands.

Some of the direct benefits which accrue to both rural and urban residents are cleaner water, reduction of health hazards, improvement of fish and wildlife habitat, flood prevention and reduction of water purification costs.

Conservation Practices Installed

The following table shows the volume and type of soil and water conservation practices installed by landowners and operators with technical assistance furnished by the Soil Conservation Service in fiscal year 1973. The figures under Conservation Operations include amounts of certain practices installed by Rural Environmental Assistance Program participants with cost-sharing assistance. Most of these individuals were cooperators with soil conservation districts. The figures in the last column are estimates of the total soil and water conservation and erosion control practices established on the land as of June 30, 1973, with help from all sources.

Practices	Unit	Installed in 1973		Est. 6/30/73 of Total Practices "On the Land"
		With Assistance Conservation Operations	Under Other Programs	
Access Road	Miles	2,197	190	26,000
Bedding	Acres	26,708	742	780,000
Brush Control	Acres	3,530,903	545,603	53,000,000
Chiseling & Subsoiling	Acres	641,661	53,442	9,000,000
Clearing & Snagging	Miles	410	81	7,600
Commercial Fish Ponds	Acres	5,717	88	78,000
Conservation Cropping System	Acres	19,135,826	1,408,383	211,000,000
Contour Farming	Acres	2,754,762	296,486	50,000,000
Critical Area Planting	Acres	118,443	38,571	5,000,000
Crop Residue Management	Acres	18,463,772	1,321,775	177,000,000
Dam, Diversion	No.	340	70	22,000
Dam, Multiple-purpose	No.	205	21	7,000
Dam, Multiple-purpose	Ac.Ft.	16,979	9,710	20,000,000
Debris Basin	No.	2,301	407	77,000
Deferred Grazing	Acres	11,783,409	541,296	84,500,000
Dike	Miles	313	17	12,000
Disposal Lagoon	No.	1,304	20	5,500
Diversion	Miles	1,786	295	100,000
Drain	Miles	19,966	1,338	898,000
Drainage Field Ditch	Miles	4,387	176	200,000
Drainage Land Grading	Acres	42,655	2,136	570,000
Drainage Main or Lateral	Miles	4,750	356	380,000
Farmstead & Feedlot Windbreak	Acres	39,747	2,671	800,000
Fencing	Miles	4,052	1,493	496,000
Field Border	Miles	1,040	77	46,000
Field Windbreak	Miles	1,993	383	95,000
Firebreak	Miles	3,022	311	36,000
Fish Raceway	Feet	36,812	- -	210,000
Fish Stream Improvement	Feet	285,668	5,890	2,000,000
Fishpond Management	No.	62,999	5,443	690,000



Irrigated land under intensive management, shown above in Nebraska, produces high yields. Conservation measures help to maintain or improve the land resource. Below, in Minnesota, contour farming on parallel terraces with sod embankments controls erosion and makes sustained, high production possible.





In the photo above, Class III land in South Carolina produces **valuable** saw timber. This woodland is managed to produce a crop of saw logs every ten years. Below, North Dakota field windbreaks are effective in controlling wind erosion and capturing snow for soil moisture replenishment.



Practices	Unit	Installed in 1973 With Assistance Under		Est. 6/30/73 of Total Practices "On the Land"
		Conservation Operations	Other Programs	
Floodwater Diversion	Feet	37,767	26,029	1,500,000
Floodwater Retarding Structure	No.	110	192	11,500
Floodwater Retarding Structure	Ac.Ft.	1,930	180,244	6,000,000
Floodway	Feet	32,815	5,746	4,300,000
Grade Stabilization Structure	No.	8,138	1,696	230,000
Grassed Waterway or Outlet	Acres	80,480	14,307	2,000,000
Grazing Land Mechanical Treatment	Acres	13,126	4,550	1,400,000
Heavy Use Area Protection	Acres	3,047	248	170,000
Hedgerow Planting	Miles	371	14	23,000
Hillside Ditch	Miles	60	3	3,100
Holding Ponds and Tanks	No.	2,478	74	6,000
Irrigation Canal or Lateral	Miles	189	20	58,000
Irrigation Ditch and Canal Lining	Miles	794	13	35,000
Irrigation Field Ditch	Miles	1,291	37	126,000
Irrigation Land Leveling	Acres	230,828	10,207	11,500,000
Irrigation Pipeline	Miles	4,341	179	95,000
Irrigation Pit or Regulating Reservoir	No.	964	34	50,000
Irrigation Storage Reservoir	No.	172	8	41,000
Irrigation Storage Reservoir	Ac.Ft.	34,379	1,836	8,300,000
Irrigation System Sprinkler	No.	4,507	166	136,000
Irrigation System Sprinkler	Acres	400,603	11,423	8,700,000
Irrigation System, Surface and Subsurface	No.	5,212	110	165,000
Irrigation System, Surface and Subsurface	Acres	540,188	18,960	16,300,000
Irrigation System, Tailwater Recovery	No.	1,164	37	18,000
Irrigation Water Management	Acres	3,252,938	109,863	22,000,000
Land Smoothing	Acres	171,112	13,209	7,500,000
Livestock Exclusion	Acres	695,149	44,413	14,300,000
Minimum Tillage	Acres	2,299,884	141,998	29,400,000
Mulching	Acres	53,787	4,006	1,000,000
Open Channel	Miles	253	250	16,400
Pasture and Hayland Management	Acres	10,396,019	1,016,063	69,000,000
Pasture and Hayland Planting	Acres	2,768,274	444,112	73,000,000
Pipeline	Miles	1,652	983	36,000
Planned Grazing Systems	Acres	6,234,771	161,119	43,000,000
Pond	No.	40,720	2,336	1,900,000
Prescribed Burning	Acres	500,559	12,803	4,500,000
Proper Grazing Use	Acres	50,066,080	3,754,120	272,000,000
Pumping Plant for Water Cont.	No.	2,640	149	100,000
Range Seeding	Acres	307,858	112,256	16,500,000
Recreation Area Improvement	Acres	54,454	3,177	1,200,000
Recreation Land Grading & Shaping	Acres	15,715	619	540,000
Recreation Trail & Walkway	Miles	567	65	11,000
Spring Development	No.	3,103	230	138,000
Stock Trails & Walkways	Feet	285,674	8,650	22,000,000
Streambank Protection	Miles	380	134	9,000
Stream Channel Stabilization	Miles	42	6	1,100
Stripcropping	Acres	328,364	73,685	22,500,000
Structures for Water Control	No.	46,233	2,762	2,100,000

Practices	Unit	Installed in 1973		Est. 6/30/73 of Total Practices "On the Land"
		With Assistance Under Conservation Operations	Other Programs	
Terrace, Basin	Miles	125	53	2,500
Terrace, Gradient	Miles	5,763	867	720,000
Terrace, Level	Miles	3,371	936	390,000
Terrace, Parrallel	Miles	2,994	982	83,000
(Total, Terraces)	Miles	(12,253)	(2,838)	(1,195,500)
Toxic Salt Reduction	Acres	39,430	1,290	1,600,000
Tree Planting	Acres	337,377	28,947	20,000,000
Trough or Tank	No.	9,248	1,893	550,000
Waterspreading	Acres	63,054	4,373	1,200,000
Well	No.	7,240	1,178	600,000
Wildlife Upland Habitat Mgmt.	Acres	8,662,582	444,346	52,000,000
Wildlife Wetland Habitat Mgmt.	Acres	487,637	51,529	6,000,000
Wildlife Watering Facility	No.	953	82	30,000
Woodland Direct Seeding	Acres	16,729	296	700,000
Woodland Improved Harvesting	Acres	1,434,012	81,750	32,000,000
Woodland Improvement	Acres	358,926	25,793	16,000,000
Woodland Pruning	Acres	16,014	2,236	180,000
Woodland Site Preparation	Acres	245,338	10,324	4,900,000
Land Adequately Treated	Acres	29,178,787	3,533,916	- -
Land Adequately Protected	Acres	- -	- -	1,000,000,000

Snow Survey and Water Supply Forecasting Activity

Snow surveys are conducted in cooperation with federal, state and local agencies, irrigation and power companies, and the Province of British Columbia for the purpose of measuring the high mountain snow pack and relating this to anticipated stream flow. The economic value derived from advance information on potential water supply in the arid areas of the West creates an increasing demand for snow surveys. Snow-fed streams in the West provide 70 percent of the water supply used for agriculture, industry, municipal uses, recreation, fish and wildlife and other purposes. SCS operates a network of snow courses and related data collection sites in the Western States and Alaska. Depth and water content of snow and other related data are systematically collected from 1,600 high mountain snow courses on a regular basis. Approximately 50 locations, most of which are pilot installations, are equipped with automatic telemetry equipment for collecting and transmitting data. In addition to snow data, soil moisture data are collected at 200 locations and precipitation at 300 locations.

Data are gathered by SCS personnel and cooperating agencies who travel to remote areas by snowshoe skis, over-snow machines and aircraft. These basic data permit the development of seasonal forecasts of water supply at 465 locations along the river systems including forecasts of anticipated inflow to downstream reservoirs.

The following table shows accomplishments in the 1973 fiscal year:

<u>Item</u>	<u>Number</u>
Snow course measurements	8,010
Aerial snow marker readings	1,079
Mountain precipitation gage readings	1,884
Soil moisture station readings	1,250
Numerical forecasts issued	2,412



Snow surveys are essential to water supply forecasting in the west. Upper photo shows snow surveyors skiing to Berthoud Pass snow course in Colorado. Trips such as this over rugged terrain subject to avalanches require safety skills, fitness and stamina. Below, at Hart's Pass in Washington, hydrometeorological data will be transmitted via the Geostationary Observational Environmental Satellite (GOES) launch scheduled for January 1974. Manual measurements required three days travel time.



Plant Materials Centers

Plant materials centers are located in selected plant growth regions of this country. They are operated to meet the needs for improved vegetation in various watershed, resource development, highway, wildlife and other conservation programs concerned with erosion, water control, land use and environmental protection and enhancement. Seventeen of the centers are operated by the Soil Conservation Service and three by cooperating agencies. They are located as follows:

Operated by Soil Conservation Service:

Tucson, Arizona	Coffeenville, Mississippi
Lockeford, California	Elsberry, Missouri
Brooksville, Florida	Bridger, Montana
Molokai, Hawaii	Cape May Courthouse, New Jersey
Aberdeen, Idaho	Big Flats, New York
Manhattan, Kansas	Corvallis, Oregon
Quicksand, Kentucky	Knox City, Texas
Beltsville, Maryland	Pullman, Washington
East Lansing, Michigan	

Operated by cooperating agencies:

Americus, Georgia (University of Georgia)
Los Lunas, New Mexico (New Mexico State University)
Bismarck, North Dakota (North Dakota Association of Soil Conservation Districts)

Other:

In addition to the 20 centers listed above, the State of Alaska operates a plant materials center at Palmer which is managed by a Service employee under the Intergovernmental Personnel Act.

Plant Materials Testing and Production

The main functions of the plant materials centers are to:

1. Assemble, evaluate, field test, select, and increase limited amounts of desirable seed and plants.
2. Determine reliable cultural and management methods for use in soil and water conservation programs.
3. Get proven materials into large-scale production by farmers, ranchers, commercial growers and nurserymen as soon as practical.

Much of the work under this activity is carried out in cooperation with state and federal experiment stations, state highway agencies and state departments of natural resources, conservation and game.

The final evaluation of new plants and cultural methods is made on farms and ranches in conservation districts and in tests conducted with the public agencies responsible for public land, such as wildlife management areas, parks, highways and beaches.

Many useful plant materials have been developed through activities of the centers for such purposes as:

1. Vegetative stabilization of critical erosion and sediment producing areas, such as pond margins, streambanks, road sides, surface mine spoils, and urban and industrial development areas.

2. Providing wildlife food and cover, recreation area stabilization, protection and beautification.
3. Improved windbreaks for the reduction of air-borne sediment, snow control and prevention of crop damage resulting from wind erosion.
4. Providing cover for soil protection and sediment control of areas used for disposal of liquid and solid waste.
5. Revegetating droughty sites, such as those common on western range lands, providing improved soil protection and increased animal production.
6. Improving wetlands, vegetating saline soils and stabilizing beach sands.

Beneficial Uses of Plant Materials

Most of the plant introductions developed are adapted to soil and site conditions on which it is difficult to establish vegetative cover. There is a continuing need for the selection and testing of improved plants that are adapted to such special uses. Increased emphasis has been given in recent years to shrubs and plants useful in fire control, highway erosion control, sand dune stabilization, rural beautification and wildlife habitat, protection of streambank, pond and lake waterlines, stabilization, and strip mine rehabilitation.

Over 110 new conservation plant varieties from this program are in present large-scale production and use in resource conservation and development and environmental protection and enhancement.

- Over 50,000,000 improved tree, shrub and herbaceous plants having plant materials center origin are produced annually by commercial and state nurseries.
- Over 5,000,000 pounds of seed are being grown by soil conservation district cooperators. A greater amount of seed of plants, having plant material center origin, are produced annually by commercial companies.

In the Northeast and Midwest, millions of 'Cardinal' autumn-olive plants are being produced and sold by commercial nurseries to stabilize surface-mine spoils and other critically eroding areas; for screens and hedges, wildlife food and cover and beautification.

'Arnot' bristly locust is being increased at an accelerated rate in the Northeast and Midwest for stabilizing, as well as beautifying acid surface-mined spoils, critical erosion areas on acid and infertile soils, such as highway cuts and fills.

'Rem-Red' Amur honeysuckle, 'Midwest' manchurian crabapple and 'Pink Lady' winter-berry eunonymus are new additions to the growing list of multi-use conservation woody plants used for windbreaks, screens, noise barriers, wildlife and beautification.

'Kleingrass' released by the Knox City, Texas Plant Materials Center in 1969 has already been established on 132,000 acres of rangeland where it is providing improved soil protection and improved quantity and quality of forage. It is estimated that kleingrass plantings are already increasing annual beef production in Texas by 11 million pounds.

'Amclo' and 'Meechee' arrowleaf clovers, developed in cooperation with state experiment stations, are for soil protection and for extending the livestock grazing systems. 'Meechee' has been established on more than 10,500 acres to date.

The annual commercial seed production of 'Latar' orchardgrass, released by the Pullman Plant Materials Center is enough to seed this improved variety on 100,000 acres of hay and pasture land.



Plants such as 'Cardinal' autumn olive from plant materials centers provide erosion control and improve the wildlife value of strip mined areas. Typically heavy annual production of autumn olive berries is shown below.





Above, 'Emerald' crownvetch provides a lush, dense, beautiful mat of vegetation and pinkish flower heads. Below, this perennial legume is used effectively to stabilize and beautify strip mine spoil, critical areas, urban banks, and highway slopes.



'Chemung' and 'Emerald' crownvetch, used for highway bank stabilization and beautification, the revegetation of strip mine spoils and other eroding areas, are now commercially grown and in large demand as plants that protect the environment.

'Lana' vetch has been seeded on approximately 600,000 of California's annual range land and contributes an estimated \$6,000,000 annual return from grazing alone. It is also used for road side development, critical area stabilization, including emergency seedings on accidental brushburns for erosion and flood control.

'Cape' American beachgrass and 'Emerald Sea' juniper recently released by the center in New Jersey are providing effective cover on mid-Atlantic coastal sand dunes.

'Lathco' flatpea, a new release of the center in New York, is being used to stabilize critical sediment producing areas such as pipelines and roadbanks. It provides excellent protection, beautification and wildlife food and cover.

An average of five new conservation plants a year are being released by the Service in cooperation with state experiment stations and other agencies and organizations.

(b) River Basin Surveys and Investigations

Appropriation Act, 1974	\$12,351,000
Budget Estimate, 1975	14,167,000
Increase in Appropriation	+1,816,000

Adjustments in 1974:

Appropriation Act, 1974	\$12,351,000
Transfer to General Services Administration for rental of space	-10,000

Adjusted base for 1975	12,341,000
Budget estimate, 1975	14,167,000
Increase over adjusted 1974	+1,826,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974	Increase or Decrease	1975 Estimate
River basin surveys & investiga- tions.....	11,517,000	+1,183,000	12,700,000
GSA space rental cost.....	- -	+464,000	464,000
Annualization of pay cost increases effective in fiscal year 1974....	824,000	+179,000	1,003,000
Total available.....	12,341,000	1,826,000	14,167,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. River basin surveys & investigations...	\$11,855,375	\$12,341,000	+\$1,826,000 ⁽¹⁾	\$14,167,000
Total available or estimate.....	11,855,375	12,341,000	+1,826,000	14,167,000
Transfer to GSA.....	+3,625	+10,000		
Total, Appropriation...	11,859,000	12,351,000		

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. River basin surveys & investigations				
Total obligations..	11,452,417	13,584,000 ^{a/}	+642,514 ⁽¹⁾	14,226,514
Unobligated balance brought forward.....	-899,556	-1,302,514	+1,243,000	-59,514
Unobligated balance carried forward.....	+1,302,514	+59,514	-59,514	-0-
Total available or estimate.....	11,855,375	12,341,000	1,826,000	14,167,000

a/ Based on the adjusted appropriation for 1974 of \$12,341,000, pay costs for 1974 of \$824,000 and the use of unanticipated carryover balances of \$419,000. Excludes \$59,514 of carryover balances withheld from use in 1974. This amount will be carried forward for obligation to reduce the amount of new budget authority in 1975.

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations" funds activities authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

(1) Collection of Resource Data

The Department participates in:

- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development and existing erosion and sediment problems.
- Studies to collect basic data on present and future agricultural water needs for irrigation, livestock, domestic, recreation, fish and wildlife use, forest based industries, and municipal and industrial water needs.

(2) Determination of Problems and Potentials

Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for development.

(3) Plan Formulation

The Department participates in the formulation of coordinated river basin plans. Evaluations include studies of:

- erosion, floodwater, and sediment damage to rural lands and properties.
- impaired drainage of agricultural lands,
- agricultural drought problems and irrigation requirements,
- agricultural water needs for livestock and domestic use,
- recreation demand,
- fish and wildlife needs,
- forest-based industries,
- municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

(4) Flood Hazard analyses:

- are carried out in cooperation with state and local governments,
- are made on selected flood plain reaches,
- identify flood hazard areas,
- provide information needed by local governments to implement land use and flood plain management plans,
- provide reports which include flood profiles and maps showing areas subject to flooding under specified flood frequencies,

The following tabulation shows the number of surveys and obligations by type of survey for fiscal year 1973, 1974, and 1975.

(Dollars in thousands)

Explanation	1973 Actual:		1974 Estimate:		1975 Estimate:	
	No.	Amount	No.	Amount	No.	Amount
1. Type of survey and amounts obligated:	:	:	:	:	:	:
(a) Comprehensive Framework Surveys :	:	:	:	:	:	:
(1) Surveys initiated during yr :	0	- -	0	- -	0	- -
(2) Initiated cumulative at :	:	:	:	:	:	:
June 30.....	12	- -	12	- -	12	- -
(3) Continuing prior year :	:	:	:	:	:	:
surveys.....	4	269	0	- -	0	- -
(4) Surveys completed during yr :	4	(163)	0	- -	0	- -
(5) Completed cumulative at :	:	:	:	:	:	:
June 30.....	12	- -	12	- -	12	- -
(6) Work in progress at June 30 :	0	- -	0	- -	0	- -
Total Comprehensive Framework :	:	:	:	:	:	:
Surveys Worked During Year.....	4	269	0	- -	0	- -

(Continued)

Explanation	1973 Actual		1974 Estimate		1975 Estimate	
	No.	Amount	No.	Amount	No.	Amount
(b) Comprehensive Detailed Surveys:						
(1) Surveys initiated during year.....	21 ^{1/}	- -	2	88	0	- -
(2) Initiated cumulative at June 30.....	22	- -	24	- -	24	- -
(3) Continuing prior year surveys.....	5	1,119	6	855	8	946
(4) Surveys completed during year.....	1	(4)	0	- -	5	(99)
(5) Completed cumulative at June 30.....	16	- -	16	- -	21	- -
(6) Work in progress at June 30.....	6	- -	8	- -	5	- -
Total Detailed Surveys Worked:						
During Year.....	7	1,119	8	943	8	946
(c) Surveys in cooperation with state and other federal agencies:						
(1) Surveys initiated during year.....	11	607	3	366	5	459
(2) Initiated cumulative at June 30.....	85	- -	88	- -	93	- -
(3) Continuing prior year surveys.....	48 ^{2/}	7,635	55	9,807	46	9,629
(4) Surveys completed during year.....	4	(171)	12	(1,454)	12	(1,260)
(5) Completed cumulative at June 30.....	30 ^{3/}	- -	42	- -	54	- -
(6) Work in progress at June 30.....	55	- -	46	- -	39	- -
Total Cooperative Surveys Worked During Year.....	59	8,242	58	10,173	51	10,088
Total, Surveys and obligations....	70	9,630	66	11,116	59	11,034
2. Flood hazard analyses:						
(a) States with studies underway.....	23	740	28	902	32	1,200
(b) Reports completed.....	7	- -	13	- -	17	- -
3. Inter-regional economic analyses.....	XX	276	XX	285	XX	285
4. Inter-agency coordination and program formulation.....	XX	806	XX	1,281	XX	1,708
Total obligations.....	XX	11,452	XX	13,584	XX	14,227

^{1/} Includes the Hawaiian water resources regional study initiated with transfer funds (\$50,000) from Corps of Engineers through the Water Resources Council. For years beyond fiscal year 1973 it is included in this appropriation.

^{2/} Includes review studies of Cape Fear, Yazoo-Mississippi, and Tombigbee River Basin.

^{3/} In addition, there have been 24 interim reports completed in the Colorado River, Oregon River, Sevier River, Florida Rivers, and Central Lahontan studies.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$1,826,000 in appropriation for River Basin Surveys and Investigations (\$12,341,000 appropriated in 1974). On the basis of available funds there is an increase of \$642,514 consisting of:

GSA Space rental costs.....	\$464,000
Annualization of pay cost increases	
effective in fiscal year 1974.....	178,514

The proposed program level of \$14,226,514 for 1975 provides for the continuation of the 1974 program level and fully finances increased costs for pay and GSA space rental.

STATUS OF PROGRAM

Current Activities: Section 6 of the Watershed Protection and Flood Prevention Act (Public Law 566, 83rd Congress), as amended (16 U.S.C. 1001-1008) provides for cooperation with other federal, state, and local agencies in making investigations and surveys of the watersheds of rivers and other waterways as a basis for the development of coordinated programs. Reports of the investigations and surveys are prepared to serve as a guide for the development of agricultural, rural, and upstream watershed aspects of water and related land resources and as a basis for coordination of this development with downstream and other phases of water development.

Interagency Coordination

Interagency coordination and program formulation in water and related land resources are achieved at the federal level through the Water Resources Council. The Secretary of Agriculture is a member of the Council. The Council maintains a number of standing committees, technical committees, and ad hoc work groups on which the Department is represented. At the field level, coordination is achieved through River Basin Commissions, Interagency Committees, or ad hoc coordinating committees. The Soil Conservation Service provides the Department member on each of these coordinating groups.

Surveys and Investigations

As its part in cooperative river basin surveys and investigations, the Department analyzes and projects the agricultural, forestry, and related economics of the basin, including the use of land and water, and their relationship to the total economy of the basin or region. It studies and investigates agricultural, rural, and upstream water and related land resources and problems to determine corrective actions needed and potentials for development. Evaluations include studies of erosion, floodwater, and sediment damage to rural lands and properties, impaired drainage of agricultural lands, agricultural drought problems and irrigation requirements, water needs for livestock and rural domestic use, recreation, fish and wildlife, forest-based industries, and municipal and industrial potential.

The inventories and analyses of potential water and related land resource developments in upstream watersheds include water storage capacity, the effect of land use and management practices on water quality and flow characteristics, and the potential hydrologic effect of agricultural, rural, and upstream watershed development. Consideration also is given to the effects of potential water resource development projects on lands and programs administered by the Department.

The Department participates in the formulation of coordinated comprehensive plans for, or approaches to, water and related land resource developments. It is particularly concerned with upstream watershed projects and their relationship to major mainstem works of other agencies.

There are three types of investigations and surveys conducted--the comprehensive framework surveys of water resource regions, comprehensive detailed river basin surveys, and cooperative river basin surveys. The first two types are carried out jointly by the concerned Federal Departments and the involved states and are coordinated at the federal level by the Water Resources Council. Cooperative surveys are carried out at the request of state agencies or, in some cases, other federal agencies and are coordinated at the state level.

Program Assignments

The Soil Conservation Service has leadership responsibility for administration of river basin planning work authorized under Section 6 of the Watershed Protection and Flood Prevention Act, including the development of general principles, criteria, and procedures; determination of land resources availability and land uses; appraisals of physical problems and development needs; determination of development potential of upstream watersheds; and program coordination with the Water Resources Council and member agencies.

The Forest Service is responsible for aspects of River Basin planning relating to forest lands, both Federal and non-Federal, and rangelands administered within or in conjunction with National Forests. This includes the analysis and projection of economic activity related to forest resource sectors of the economy and developing action programs based on surveys of the resource.

The Economic Research Service is responsible for basin-wide economic aspects of planning; developing agricultural economic base information and projections of agricultural production, employment, income, rural population and land use for the economic analysis of agricultural water management needs and potentials; and evaluates the economic impact of water resource development plans on agriculture and related sectors of the economy.

Other agencies in the Department participate in reviews and provide inputs where items of concern to the agency are involved.

Selected Examples of Recent Progress:

Agency Participation

The following table shows the amounts of funds obligated for river basin investigations and coordination in 1973 and estimates for 1974 and 1975 by agency:

Agency	1973 Obligations	1974 Estimate	1975 Estimate
Soil Conservation Service	\$7,966,605	\$9,778,000	\$10,128,000
Economic Research Service	2,033,246	2,205,000	2,353,000
Forest Service	1,452,566	1,601,000	1,746,000
Total	11,452,417	13,584,000	14,227,000

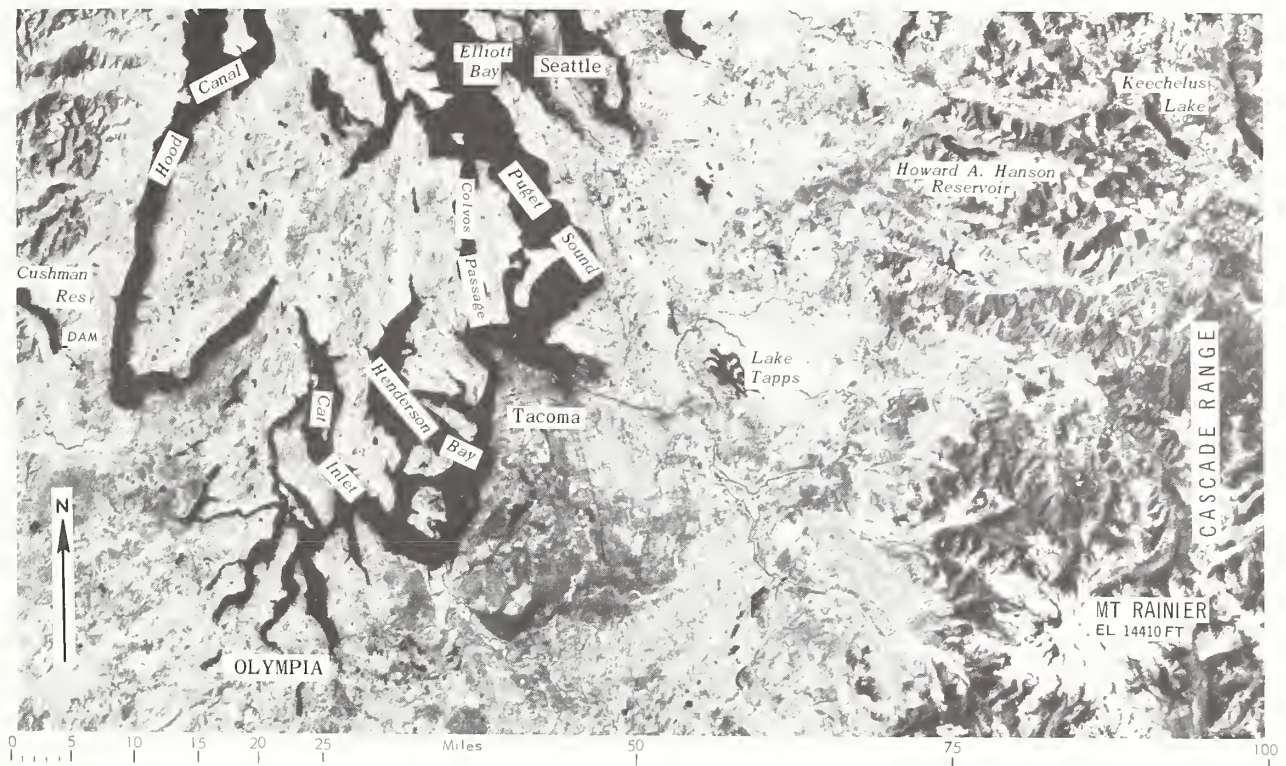
Status of River Basin Surveys

Comprehensive Framework Surveys.

The Senate Select Committee on National Water Resources formed in 1959 recommended, and in 1962 the Administration adopted the objective, that surveys and investigations be made of all the river basins of the country by 1970. As a result, the Water Resources Council and the Office of Management and Budget established a schedule for the completion of comprehensive framework surveys of the 21 major water resource regions encompassing the Nation (including Alaska and Hawaii). Twelve surveys in 14 of these regions have been initiated and twelve have been completed. No funding for this type of survey is planned for 1975.

Comprehensive Detailed Surveys.

Twenty-two comprehensive detailed river basin surveys have been scheduled by the Water Resources Council and the Office of Management and Budget. Sixteen of these surveys essentially have been completed and five are scheduled to be completed by the end of fiscal year 1975.



River basin surveys and investigations give a broad view of the nation's supply of water and land resources. Present and future needs are estimated and river basin plans are formulated to properly develop and manage these natural resources. Satellite photographs, like the one above, provide a new view of our land and water resources. This infra-red photo is of the Seattle-Tacoma area currently under study. Such photographs offer new possibilities for obtaining information for river basin studies to insure an adequate quality and quantity of water and related land for future generations. Flood plain zoning based on flood hazard analyses would preclude costly and hazardous development of flood plains (below).



Cooperative Surveys with States and Concerned Federal Agencies.

In addition to participating in these federally coordinated comprehensive surveys, the Department has carried on cooperative surveys with state and concerned federal agencies which are preparing or updating their water resource plans to help them coordinate upstream and downstream elements of needed water and related land resource developments. In most cases, cooperative surveys are as detailed as the surveys for regional and river basin plans. Since 1960, the Department has participated in 85 cooperative surveys and has completed 30.

Early indications from framework studies are that approximately 200 river sub-basins will require detailed comprehensive surveys or cooperative surveys. The Department of Agriculture will need to participate in these to assure proper consideration and development of rural, agricultural, and upstream areas along with major reservoir developments of state, private, and other federal agencies.

Flood Hazard Analyses

The Soil Conservation Service is assisting state and local agencies in making flood hazard investigations on selected stream reaches in accordance with the provisions of House Document No. 465, 89th Congress, 2d Session, Recommendation 9(c). This recommendation provides that limited technical assistance should be given state and local planners in the preparation of flood plain regulations and the application of flood data for assessing flood plain location. Preliminary reports are being prepared for guidance in areas where assistance is needed before a full flood hazard information report can be prepared in accordance with Recommendation 9(c) or where a full report is not scheduled. The studies are based on a plan of work which is developed with the appropriate state agency and compatible with the flood hazard study plans of the Corps of Engineers.

During fiscal year 1973 assistance was provided to 23 states, namely: California, Colorado, Connecticut, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New Jersey, North Dakota, Ohio, Oregon, Rhode Island, Tennessee, Utah, Vermont, Virginia, Washington, and Wisconsin. Requests for this type of service are being received from many additional states. It is estimated that 32 states will have initiated studies by 1975.

List of River Basin Surveys

The following tabulation shows the river basin surveys, states involved, cooperating agencies, and actual or estimated obligations:

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations		
			1973 Actual	1974 Estimate	1975 Estimate
	Comprehensive Framework Surveys				
Missouri River Region..	Colo., Iowa, Kans., Minn., Mo., Mont., Nebr., ND., SD., Wyo.	Other Federal	(-3)	- -	- -
Upper Mississippi River Region.....	Minn., Wisc., Iowa, Mo., Ill., Ind. &SD.	Other Federal	1	- -	- -
Columbia-North Pacific Region.....	Wash., Ore., Idaho, Mont., Utah, Nev., Wyo.	Other Federal	66	- -	- -
North Atlantic Region..	Conn., Del., Me., Md., Mass., N.H., N.J., N.Y., Pa., R.I., Vt.	Other Federal	97	- -	- -

List of River Basin Surveys (cont'd)

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations		
			1973	1974	1975
			Actual	Estimate	Estimate
<u>Comprehensive Framework Surveys (cont'd)</u>					
Great Lakes Region.....	N.Y., Pa., Oh., Mich., Ind., Ill., Minn., Wisc.	Other Federal	\$4:	- -	- -
Lower Mississippi River Region.....	Ark., Ill., Ky., La., Miss., Mo., & Tenn.	Other Federal	104:	- -	- -
Subtotal, Comprehensive Framework Surveys.....			269:	- -	- -
<u>Comprehensive Detailed Surveys</u>					
Pearl River Basin.....	Mississippi & Louisiana	State & Other Federal	1:	- -	- -
Wabash River Basin.....	Oh., Ind., & Ill.	Other Federal	3:	- -	- -
Kanawha River Basin....	W.V., Va., & N.C.	Other Federal	1:	- -	- -
Red River Below Denison Dam.....	La., Ark., Okla., & Texas	Other Federal	(-88)	- -	- -
Red River.....	N.D. & Minn.	Other Federal	4:	- -	- -
Southeastern New England Region.....	Mass., R.I., & Conn.	Other Federal	290:	121	31
Long Island Sound.....	Conn., & New York	Other Federal	316:	124	21
Platte River.....	Nebraska	State & Other Federal	101:	196	92
Pacific Northwest CCJP.	Ore., Wash, Idaho, Mont., Wyo.	State & Other Federal	491:	266	323
Hawaii Regional Plan...	Hawaii	State & Other Federal	- 1/	130	79
Conn. Supplemental.....	Connecticut	State & Other Federal	- 1/	18	- -
Maumee	Ind., Mich., Oh.	State & Other Federal	- -	70	271
Minn. St. Paul.....	Minnesota	State & Other Federal	- -	18	129
Subtotal, Comprehensive Detailed Surveys.....			1,119	943	946
<u>Cooperative Surveys with States and Concerned Federal Agencies</u>					
Cape Fear.....	North Carolina	Corps of Engineers	31	25	29
Yazoo-Mississippi River Delta.....	Mississippi	State	45	108	- -
Sevier River Drainage..	Utah	State	112	- -	- -
Tombigbee.....	Miss. & Ala.	State	175	215	192
Oregon Rivers.....	Oregon	State	127	209	222

1/ Financed in 1973 with funds advanced by the Corps of Engineers, Department of Army.

List of River Basin Surveys (cont'd)

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations		
			1973 : Actual	1974 : Estimate	1975 : Estimate
Cooperative Surveys with States and Concerned Federal Agencies (cont'd)					
Colorado Rivers.....	Colorado	State	\$148:	\$259 :	\$265
Florida Rivers.....	Florida	State	206:	317 :	310
North Coastal River Basin.....	California & Oregon	State	8:	- - :	- -
Big Sioux.....	South Dakota	State	8:	- - :	- -
Arkansas River in Kansas.....	Kansas	State	15:	11 :	- -
Upper Rio Grand.....	New Mexico	State	53:	- - :	- -
Central Lahontan.....	Nevada & California	State	306:	226 :	39
Lower Rio Grand.....	Texas	State	7:	- - :	- -
Elkhorn, Big Blue, Nemaha & Niobrara Rivers.....	Nebraska	State	86:	37 :	- -
James River.....	Virginia	Corps of Engineers	38:	25 :	- -
Santee River.....	South & North Carolina	State	62:	26 :	- -
Western New York Basins	New York	State	73:	77 :	- -
Muskingum River Basin..	Ohio	Corps of Engineers	153:	139 :	- -
Bayou Meto.....	Arkansas	Corps of Engineers	6:	- - :	- -
Southeast Michigan River	Michigan	Corps of Engineers	142:	126 :	13
Southeast Washington Rivers.....	Washington	State	136:	155 :	108
Southeast Wisconsin Rivers.....	Wisconsin	State	216:	6 :	- -
Southeast Louisiana Rivers.....	Louisiana	State	128:	59 :	- -
Great Basin.....	Utah	State	(-2)	- - :	- -
Republican River.....	Nebraska	State	26:	44 :	125
Green & Kentucky Rivers	Kentucky & Tennessee	State	169:	188 :	136
Massachusetts Water Resources Study.....	Massachusetts	State	167:	171 :	194
Hawaiian Rivers.....	Hawaii	State	165:	105 :	154
Wind, Big Horn, Clarks Fork, & Green Rivers..	Wyoming & Montana	State	221:	256 :	252
Blackwater Lomaine.....	Missouri	State	177:	127 :	29
Southwest Ohio.....	Ohio	State	90:	116 :	94
Texas Coastal Basins...	Texas	State	182:	218 :	189
Alabama Rivers.....	Alabama	State	244:	228 :	254
Ashley-Combahee-Edisto.	South Carolina	State	92:	170 :	151
St. Francis.....	Arkansas & Missouri	State	184:	98 :	- -
Southern Minnesota Rivers.....	Minnesota	State	233:	265 :	282
Kankakee-Elkhart.....	Indiana	State	229:	237 :	205
Eastern New York.....	New York	State	227:	231 :	302
Iowa-Cedar Rivers.....	Iowa	State	211:	241 :	191
Obion-Forked Deer.....	Tennessee	State	215:	240 :	234
Monongahela.....	West Virginia	State	136:	251 :	79
Santa Cruz-San Pedro...	Arizona	State	226:	264 :	181
San Gabriel.....	California	State	43:	48 :	- -
Western Water Planning.	Colo., N.M., Ariz., Utah, Calif., Ore., Wash., Mont., Idaho, Wyo., Nev.	Bureau of Reclamation	529:	435 :	- -

List of River Basin Surveys (cont'd)

(Dollars in Thousands)

River Basin or Region	States Involved	Cooperating Agencies	Obligations		
			1973 : Actual	1974 : Estimate	1975 : Estimate
Cooperative Surveys with States and Concerned Federal Agencies (cont'd)					
Chicago Metro River Basin.....	Illinois - Chicago	Chicago MSD	\$364:	\$355:	\$305
Bear River.....	Utah, Wyo., Idaho	State	83:	294:	319
Snake River.....	Idaho & Wyoming	State	228:	294:	348
Tar-Neuse Rivers.....	North Carolina	State	206:	232:	226
Western S.D. Rivers Area	South Dakota	State	134:	188:	237
Clark Fork.....	Montana	State	59:	207:	248
San Joaquin.....	California	State	266:	333:	296
Arkansas-White, Red, New Mexico.....	New Mexico	State	90:	216:	236
Pocatalico.....	West Virginia	State	176:	57:	29
Quachita.....	Arkansas & Louisiana	State	222:	415:	445
Appalachian Water Resource Survey.....	N.C., Oh., Pa., S.C., Tenn., Ala., Ga., Ky., Md., N.Y., Va., &W.V.	State	(-11)	- -	- -
Red River Above Denison Dam.....	Oklahoma, Texas	State	179:	279:	338
Chowan.....	Virginia	State	9:	82:	152
Upper Columbia River...	Washington	State	19:	109:	173
North Platte River.....	Wyoming	State	10:	101:	157
Kalamazoo River.....	Michigan	State	56:	125:	232
Saco River.....	Maine	State	1:	- -	- -
Wolf & Loosahatchie....	Tennessee	State	62:	70:	54
Cooperative Resource Assess & Support Activities.....		21 States who Serve as USDA Regional Leaders	24:	220:	300
Pennsylvania Analt-Summary.....	Pennsylvania	State	6:	92:	107
Delmarva.....	Md., Del., Va.	State	4:	152:	202
Wisconsin River.....	Wisconsin	State	- -	213:	243
Grand-Platte-Mo.....	Missouri	State	- -	141:	253
Mississippi Statewide Analytical Summary....	Mississippi	State	- -	45:	236
Little Colorado Basin..	Arizona	State	- -	- -	102
Southern Iowa Rivers...	Iowa	State	- -	- -	103
Yadkin, PeeDee Rivers..	South Carolina	State	- -	- -	69
West Virginia Rivers...	West Virginia	State	- -	- -	185
Virgin River.....	Nevada	State	- -	- -	197
Colorado River Salinity Study.....	Colorado	State	- -	- -	75
Subtotal, Cooperative Surveys.....			8,242:	10,173:	10,088
Total River Basin Surveys			9,630:	11,116:	10,034
Interregional Economic Analysis.....			276:	285:	285
Flood Hazard Analysis..			740:	902:	1,200
Interagency Coordination & Program Formulation..			806:	1,281:	1,708
TOTAL OBLIGATIONS RIVER BASIN SURVEYS			11,452:	13,584:	14,227

Typical River Basin Surveys and Flood Hazard Analyses

The following examples are representative of the surveys and investigations being carried out by the Department in river basin surveys:

Lower Mississippi Region - Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, Tennessee: The Department participated in a comprehensive framework survey of the Lower Mississippi River Basin in cooperation with the Departments of the Army; Health, Education and Welfare; Transportation; Interior; Commerce; Housing and Urban Development; the Federal Power Commission; the Environmental Protection Agency; the seven concerned states; and local governments. Field coordination is provided through a coordinating committee composed of representatives of each state and Federal agencies. The studies and investigations consider the overall problems and needs for development of water and related land resources based on the demands of the economy of the area and the desires of the local entities. Alternative approaches to meeting the needs and alleviating the problems are being examined. The study is developing a blend of programs that best reflects the needs of the basin and provides a framework within which future detailed studies and project developments can be carried out. The Soil Conservation Service, Forest Service, and Economic Research Service are participating agencies for the Department. This study was initiated in fiscal year 1970. Most of the field level investigations were completed in fiscal year 1973 and the technical reports written in fiscal year 1974. Only minimal work is anticipated in FY 1975 to finalize the Coordinating Committee's report.

Hawaii Water Resources Regional Study - Hawaii: The Department is participating in a comprehensive detailed survey of the water and related land resources which includes all of the Hawaiian islands. Federal agencies and departments are cooperating with various state agencies which are being coordinated by the Department of Land and Natural Resources. Study management is provided by the Water Resources Council. Overall study guidance is being provided by a Planning Board composed of representatives from USDA, Department of Army, Department of the Interior, the State of Hawaii, with associate membership including EPA and county representatives. The Study Manager is Chairman of the Planning Board. A Citizen Advisory Committee has been established to assist in guiding the study. It is the purpose of the Hawaii Water Resources Regional Study to identify and recommend actions to be taken by all levels of government and by private interests to secure for the people of the region the full range of uses and benefits attainable by balanced conservation and development of the region's water and related land resources. The study will, as the Congress specified in the Water Resources Planning Act, "encourage the conservation, development, and utilization of water and related land resources of the United States on a comprehensive and coordinated basis... with the cooperation of all affected Federal agencies, States, local government, individuals, corporations, business enterprises, and others concerned." The Soil Conservation Service, Forest Service, and Economic Research Service are participating in the study for the Department. The study, initiated in fiscal year 1973, is scheduled for completion in fiscal year 1976.

San Joaquin Valley Basin (Cooperative Survey) - California: In cooperation with the California Department of Water Resources, the Department is conducting a survey and investigation of the water and related land resources of the San Joaquin Basin. The study area includes 18.3 million acres with a population exceeding 1.4 million. One-third of California's farmlands and farms are in the Basin and represent about 42 percent of the total cropland harvested in California. The gross value of agricultural output from this basin in 1970 was \$1.7 billion. The investigation will provide valuable information on the alternative possibilities for achieving optimum use of the basin's resources. Portions of the basin have serious flood problems in urban as well as agricultural areas. Irrigation diversions, canals, and systems are damaged by flooding and sediment deposition. About 682,000 acres are flooded annually. Water supplies are inadequate for rural communities, irrigation, and rural domestic and livestock needs in several areas. The area has recreation, fishing, and wildlife resource potentials that

need to be planned and developed for use. The survey will provide valuable information to guide decisionmakers in selecting alternative courses of action which include consideration of environmental, regional and national needs. The Soil Conservation Service, Forest Service, and Economic Research Service are participating in the study for the Department. Present schedules call for the completion of the study in 1977.

Flood Hazard Analyses - Elm and Rush Creeks, Hennepin County, Minnesota: The SCS is carrying out flood hazard studies on the lower 17 miles of Elm Creek and on the lower 14 miles of Rush Creek, a tributary of Elm Creek, in accordance with a Joint Coordination Agreement with the Minnesota Department of Natural Resources. This study was requested by the Elm Creek Conservation Management and Protection Commission and the Metropolitan Council of the Twin Cities Area through the Hennepin County Soil and Water Conservation District and the state agency. The local sponsors and the state agency are cooperating in this study and resulting report by funding over one-half of the total cost, as well as providing present and future land use, obtaining permission to enter property for surveys, and assisting in writing and interpreting the final report. The SCS will furnish flood profiles, elevation-frequency data, and maps showing the areas subject to inundation by the 10-, 50-, 100-, and 500-year frequency floods. The major objective of the local sponsors and the state agency is to acquire detailed flood hazard information to enable them to jointly develop an effective flood plain management program in the Elm Creek Conservation Management and Protection Area. A secondary objective of the local governmental entities is to obtain related technical information, including delineation of high water table areas adjacent to the flood hazard area, needed to develop a comprehensive land use plan for the area. This study and others in Minnesota are being carried out by the SCS under mutual agreement by federal agencies and the responsible state agency under authority of Section 6, PL 83-566, in accordance with Recommendation 9(c) of House Document No. 89-465, and in compliance with E.O. 11296, dated August 10, 1966.

(c) Watershed Planning

Appropriation Act, 1974	\$10,000,000
Budget Estimate, 1975	10,800,000
Increase in Appropriation.. . . .	+800,000

Adjustments in 1974:

Appropriation Act, 1974	\$10,000,000	
Transfer to General Services Administration		
for rental of space	-2,000	
Adjusted base for 1975		9,998,000
Budget estimate, 1975		10,800,000
Increase over adjusted 1974		+802,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase or</u> <u>Decrease</u>	<u>1975</u> <u>Estimate</u>
Small watershed project investiga-			
tions & planning.....	9,230,000	+233,000	9,463,000
GSA space rental costs.....	- -	+424,000	424,000
Annualization of pay cost increases			
effective in fiscal year 1974....	768,000	+145,000	913,000
Total available.....	<u>9,998,000</u>	<u>+802,000</u>	<u>10,800,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Small watershed				
project investiga-				
tions & planning...	\$7,785,840	\$9,998,000	+\$802,000	\$10,800,000
Total available or				
estimate.....	7,785,840	9,998,000	+802,000 ⁽¹⁾	10,800,000
Transfer to GSA.....	+3,160	+2,000		
Total, appropriation...	7,789,000	10,000,000		

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Small watershed				
project investiga-				
tions & planning				
Total				
obligations...	\$6,834,736	\$10,766,396 ^{a/}	+\$568,604	\$11,335,000
Unobligated balance				
brought forward.....	-352,292	-1,303,396	+768,396	-535,000
Unobligated balance				
carried forward.....	+1,303,396	+535,000	-535,000	-0-
Total, available or				
estimate.....	7,785,840	9,998,000	802,000 ⁽¹⁾	10,800,000

^{a/} Based on the adjusted appropriation for 1974 of \$9,998,000 plus pay costs for 1974 of \$768,000. Excludes \$535,000 of carryover balances withheld from use in 1974. This amount will be carried forward for obligation to reduce the amount of new budget authority required in 1975.

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning" funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and work plans are prepared in cooperation with local sponsors. The planning activities consist of:

- Cooperation between the federal government and the states and their political subdivisions in assisting local sponsoring organizations develop work plans for proposed watershed projects,
- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,
- Studying alternatives to provide the best combination of land treatment, nonstructural and structural measures for the protection, conservation, development, management and utilization of land, water and related resources,
- Compiling information that is the basis for mutual agreement between the Department, local organizations and the public concerning the possible alternative solutions which will best meet environmental, social and economic goals,
- Making environmental assessments concurrently with other planning efforts for every proposed watershed project,
- Preparing environmental impact statements and making them available to the public where significant environmental impacts are likely to occur.

The watershed work plans:

- Identify the soil and water management problems in the watershed.
- List the steps that have been or are authorized to be taken to alleviate these problems.
- Outline the proposed works of improvement to be installed.
- Itemize the estimated benefits and costs.
- Set out the cost-sharing and operation and maintenance arrangements.
- Present other facts necessary to justify federal participation in project development.

The following table shows actual and projected progress in watershed planning and its relationship to project installation.

Explanation	: 1973 : Actual	: 1974 : Estimate	: 1975 : Estimate
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Status of project planning:

Planning in process start of year.....	325	287	272
New authorizations during year.....	14	30	45
Completed plans during year.....	16	25	55

Status of project operations:

Uncompleted projects start of year.....	727	722	722
Projects approved for operations.....	18	40	40
New construction starts...	33	45	45

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$802,000 in appropriation for Watershed Planning (\$9,998,000 appropriated in 1974). On the basis of available funds there is an increase of \$568,604 consisting of:

GSA Space rental costs.....	+\$424,000
Annualization of pay cost increases	
effective in fiscal year 1974.....	144,604

The proposed program level of \$11,335,000 for 1975 provides for the continuation of the 1974 program level and fully finances increased costs for pay and GSA space rental.

STATUS OF PROGRAM

Current Activities: The Watershed Protection and Flood Prevention Act (Public Law 566, 83rd Congress), as amended (16 U.S.C. 1001-1008) provides for cooperation between the federal government and the states and their political subdivisions in a program of watershed planning. Watershed plans form the basis for installing works of improvement for floodwater retardation, erosion control, and reduction of sedimentation in the watersheds of rivers and streams and to further the conservation, development, management, and utilization of land, water and related resources.

The work of the Department under this item consists of assisting sponsoring local organizations develop their watershed work plan by making investigations and surveys. Watershed work plans describe the soil erosion, water and land management, and sedimentation problems in a watershed and works of improvement proposed to alleviate these problems. Plans also include estimated benefits and costs, cost-sharing and operation and maintenance arrangements, and other information necessary to justify additional federal assistance for carrying out the plan.

Developing Watershed Work Plans

Watershed project planning is a coordinated and integrated investigation of the physical, environmental, social, and economic conditions inherent in a particular watershed and an analysis of alternative methods to produce an acceptable solution to watershed problems.

When it is determined that a plan will provide substantial benefits from flood prevention or agricultural water management, consideration is given to all other phases of the conservation, development, management, and utilization of land, water and related resources. This includes such purposes as municipal and industrial water supply, recreation, fish and wildlife, groundwater recharge, water quality management, control of agriculture-related pollution and disposal of solid wastes.

Watershed planning is a coordinated study by a team of technicians including soil conservationists, economists, hydrologists, geologists, foresters, and engineers with supporting help from specialists in the fields of soil science, biology, plant technology, recreation and watershed planning. This study must be made to obtain a complete understanding of watershed problems including their causes, effects and possible solutions in order to develop a plan to meet the objectives of local people. The plan must be one which the local people are able, willing, and ready to install with assistance provided under the program, and one which they can and will effectively operate and maintain.

Environmental assessments are made by the Soil Conservation Service on each new watershed project. Environmental statements, when prepared, are submitted for review and comment to local, state, and federal agencies and are available to the general public. This provides an opportunity to obtain participation from a wide range of interests in the environmental evaluation of each project before commitments are made and construction begins.

Program Assignments

The Soil Conservation Service has general responsibility for administration of watershed planning work authorized by the Watershed Protection and Flood Prevention Act. This includes planning works of improvement for flood prevention and for the conservation, development, utilization and disposal of water in watershed or sub-watershed areas not exceeding 250,000 acres. All interested federal, state, and local agencies and the general public are given an opportunity to participate in and contribute to work plan preparation to help assure that works of improvement included in work plans are in harmony with other projects and programs.

The Forest Service is responsible for planning the forestry measures for National Forest lands and for fire prevention forestry measures on non-federal forest lands in the watersheds. The Economic Research Service assists with development of criteria to be used in economic analysis of watershed projects. The Department of Interior's Bureau of Land Management and Bureau of Indian Affairs are provided funds on a reimbursable basis when needed to plan watershed measures for Federal lands which they administer. The National Oceanic and Atmospheric Administration of the Department of Commerce and the U.S. Geological Survey of the Department of Interior are reimbursed for precipitation and runoff data needed in the development of work plans.

Selected Examples of Recent Progress:

Agency Participation

The following table shows the amount of funds obligated for small watershed project investigations and planning in 1973 and estimates for 1974 and 1975 by agency.

Agency	1973 Obligations	1974 Estimate	1975 Estimate
Soil Conservation Service.....	\$6,321,898	\$10,094,396	\$10,644,000
Economic Research Service.....	28,000	31,000	33,000
Forest Service.....	484,838	641,000	658,000
Total.....	6,834,736	10,766,396	11,335,000

Status of Work Plan Development

During fiscal year 1973, the Department received 28 state-approved applications for watershed planning assistance from local sponsors of proposed small watershed projects, 29 applications were withdrawn during the year. This brought the total number of applications on hand from local organizations to 2,934 as of June 30, 1973. These applications covered 227,778,500 acres in 50 states and Puerto Rico. During fiscal year 1973, 14 applications were approved for planning assistance which brought to 1,676 the total number that have been approved for planning since the inception of the program. Watershed work plans had been completed on 1,125 of these watersheds as of June 30, 1973, and planning had been suspended or terminated on 264 other watersheds for which work plans had been partially completed. Suspensions and terminations were at the request of local sponsoring organizations or with their concurrence when it became evident that planning activity would be significantly delayed due to local problems or could no longer be justified on a cost-benefit ratio.

As of June 30, 1973, watershed planning assistance had not been started on 1,258 of the applications received from local sponsors of proposed small watershed projects. It is estimated that 596 of the watersheds covered by these applications are currently suitable for development of project work plans and that about 662 will not qualify for assistance under present criteria.

The following table shows applications received and actual and projected progress in planning small watershed projects:

Activity	1973 Actual	1974 Estimate	1975 Estimate
1. Applications for planning assistance:			
On hand, cumulative, start of year...	2,935	2,934	2,949
Net change during year.....	-1	15	20
On hand, cumulative, June 30.....	2,934	2,949	2,969

<u>Activity</u>	<u>1973 Actual</u>	<u>1974 Estimate</u>	<u>1975 Estimate</u>
Consisting of:			
a. Unprocessed applications (backlog).....	596	619	623
b. Not suitable for planning...	662	624	595
c. Authorized for planning.....	1,676	1,706	1,751
2. <u>Status of planning:</u>			
Authorized, cumulative, start of year.....	1,662	1,676	1,706
LESS:			
Suspended or terminated, cumula- tive, start of year.....	228	264	284
Completed, cumulative, start of year.....	1,109	1,125	1,150
Planning in process start of year	325	287	272
New authorizations during year..	14	30	45
Authorized planning in process during year.....	339	317	317
LESS:			
Suspended or terminated during year.....	36	20	10
Completions during year.....	16	25	55
Planning in process, end of year	287	272	252

Watershed Planning Progress by State

The following tabulation shows a breakdown by state of the number of applications received in Washington, D.C., authorized for planning assistance and watershed work plans completed as of June 30, 1973:

<u>State</u>	<u>Applications Received</u>		<u>Planning Authorized</u>		<u>Work Plans Completed</u>	
	<u>No.</u>	<u>Acres (1000)</u>	<u>No.</u>	<u>Acres (1000)</u>	<u>No.</u>	<u>Acres (1000)</u>
Alabama	61	4,253.6	40	2,901.6	29	1,982.7
Alaska	2	204.8	0	0	0	0
Arizona	33	3,316.0	17	1,941.9	11	1,021.8
Arkansas	132	10,717.5	72	6,071.3	52	3,067.5
California	79	5,568.9	47	3,182.1	21	909.4
Colorado	57	4,721.5	29	2,022.4	16	967.4
Connecticut	20	345.1	14	300.7	9	201.0
Delaware	6	357.8	4	301.7	4	281.9
Florida	77	5,170.7	31	2,354.5	21	1,301.6
Georgia	153	10,511.9	75	5,254.4	64	4,072.6
Hawaii	11	531.8	9	503.2	6	282.7
Idaho	48	5,143.9	17	1,374.8	6	303.1
Illinois	69	4,188.4	40	2,323.5	20	991.8
Indiana	111	8,671.3	54	4,245.4	32	2,212.7
Iowa	99	2,787.8	53	1,097.6	42	683.6
Kansas	100	10,855.2	68	7,255.6	42	3,893.7
Kentucky	58	3,715.6	42	2,845.2	31	2,141.3
Louisiana	72	8,061.0	51	6,051.3	31	3,569.6
Maine	27	2,022.1	16	1,044.1	9	427.1
Maryland	39	1,613.4	28	860.7	17	275.7
Massachusetts	23	1,013.6	15	562.2	10	457.3
Michigan	42	2,639.3	25	1,212.9	19	708.6
Minnesota	48	3,785.4	25	2,130.8	14	1,101.9
Mississippi	88	6,630.5	66	5,159.0	49	3,587.8
Missouri	78	6,034.8	32	2,364.6	18	736.9

State	Applications Received		Planning Authorized		Work Plans Completed	
	No.	Acres(1000)	No.	Acres(1000)	No.	Acres (1000)
Montana	50	3,668.4	23	1,254.0	11	357.5
Nebraska	84	7,054.4	57	3,800.2	41	2,432.4
Nevada	31	3,928.7	15	2,060.2	6	391.1
New Hampshire	14	1,041.1	12	1,024.0	6	455.4
New Jersey	26	464.5	17	376.3	12	252.6
New Mexico	80	7,951.7	39	3,303.6	25	1,413.1
New York	36	1,954.1	21	1,175.6	13	663.2
North Carolina	78	5,147.1	57	3,165.3	41	1,708.7
North Dakota	43	6,485.5	29	4,534.8	18	2,518.4
Ohio	72	7,290.1	23	2,024.0	15	1,025.8
Oklahoma	110	11,643.0	68	6,947.7	60	5,973.8
Oregon	57	5,791.3	22	2,078.3	13	679.4
Pennsylvania	47	2,184.1	29	1,800.9	23	1,141.1
Rhode Island	2	104.2	2	104.2	0	0
South Carolina	55	2,815.3	46	2,462.8	35	1,299.4
South Dakota	37	3,802.1	20	1,461.4	13	516.8
Tennessee	88	4,330.2	50	2,449.8	34	1,354.1
Texas	167	17,703.3	103	10,867.7	76	7,997.7
Utah	38	4,382.7	19	1,849.3	11	1,179.3
Vermont	8	699.9	8	699.9	4	62.9
Virginia	69	3,099.9	34	1,843.2	26	1,404.6
Washington	48	2,847.3	20	936.6	11	227.2
West Virginia	55	1,952.8	31	871.3	22	590.8
Wisconsin	54	2,851.6	34	2,059.1	22	1,082.6
Wyoming	46	5,380.6	22	1,892.9	11	559.3
Puerto Rico	6	342.7	5	292.8	3	252.0
TOTALS	2,934	227,778.5	1,676	124,697.4	1,125	70,718.9

The following table shows the amount of funds obligated for watershed planning in 1973 by state:

State	Total	State	Total
Alabama	\$139,472	Nebraska*	\$327,844
Alaska	1,226	Nevada	87,291
Arizona	107,606	New Hampshire	67,175
Arkansas	147,936	New Jersey	111,700
California	133,771	New Mexico	85,419
Colorado	111,412	New York	137,525
Connecticut	91,359	North Carolina	117,523
Delaware	1,625	North Dakota	118,342
Florida	107,585	Ohio	118,744
Georgia	147,308	Oklahoma	157,235
Hawaii	75,705	Oregon	275,436
Idaho	69,659	Pennsylvania*	282,336
Illinois	137,844	Rhode Island	15,149
Indiana	157,126	South Carolina	128,175
Iowa	117,218	South Dakota	132,574
Kansas	177,751	Tennessee	144,157
Kentucky	54,099	Texas*	355,020
Louisiana	139,070	Utah	137,014
Maine	28,194	Vermont	33,634
Maryland*	157,336	Virginia	127,287
Massachusetts	93,127	Washington	95,555
Michigan	111,653	West Virginia	146,723
Minnesota	131,000	Wisconsin	142,990
Mississippi	134,738	Wyoming	85,871
Missouri	129,977	Puerto Rico	16,403
Montana	95,216	Other Offices	588,601
		Total Watershed Planning	\$6,834,736

*Includes Technical Service Centers and other offices.



On the above West Virginia watershed, diversion terraces, stripcropping, waterways, and the floodwater-retarding structure were planned for complete conservation treatment under the Watershed Planning Program (PL-566). In watershed planning, a wide range of alternatives are considered for gully and critical area stabilization. The gully below is being stabilized vegetatively.



Sharing Watershed Planning Costs

Watershed planning staffs are available to assist local organizations in all states except Alaska. Planning organizations currently are staffed in each of the states with the exception of Rhode Island, Vermont and Delaware where services are provided by the planning staff headquartered in Connecticut, New Hampshire and Maryland, respectively. A number of states that are undertaking river basin surveys under authority of Section 6 of Public Law 566 have integrated their regular watershed planning staff with the river basin survey staff. This action provides effective utilization of technical personnel to carry out the functions associated with both activities. The size of the planning organizations vary according to the workload in a state. Watershed planning funds allotted to the states averages approximately \$126,382 per state in 1974, ranging from \$12,000 to \$222,000.

In the fiscal year 1973, State Legislatures and other local organized units in 38 states and Puerto Rico appropriated or otherwise provided about \$3,278,000 to supplement federal funds for watershed planning. This was accomplished through advances, reimbursements, state-controlled watershed planning parties, and personnel provided by the states to supplement Service watershed planning staffs.

The total cost of planning a watershed project (including state funds) has averaged about \$105,000 to date. Of this amount, federal funds averaged about \$69,000 per plan.

Multiple-Purpose Projects Increasing

Although watershed protection and flood prevention remain dominant objectives of the watershed program, there has been a decided upward trend in the number of multiple-purpose projects being planned and approved for operations. Multiple-purpose projects include features such as water supply, recreation, and fish and wildlife development in addition to flood prevention. Multiple-purpose projects increased from 21% of all projects approved for installation through 1957 to 56% of all projects approved through 1973. This has come about as a result of amendments to Public Law 566 which have broadened the scope of activities and authorities under which the program is carried out. Planning costs have increased due to more complex investigations associated with multiple-purpose project formulation and increased cost of doing business.

(d) Watershed and Flood Prevention Operations

	<u>Watershed Protection Projects</u>	<u>Flood Prevention Projects</u>	<u>Total</u>
Appropriation Act, 1974.....	\$110,000,000	\$24,000,000	\$134,000,000
Budget Estimate, 1975.....	101,892,000	20,936,000	122,828,000
Decrease in Appropriation.....	-8,108,000	-3,064,000	-11,172,000
Adjustment in 1974:			
Appropriation Act, 1974.....	110,000,000	24,000,000	134,000,000
Transfer to General Services Adminis- tration for rental of space.....	-13,000	-1,000	-14,000
Adjusted base for 1975.....	109,987,000	23,999,000	133,986,000
Budget Estimate, 1975.....	101,892,000	20,936,000	122,828,000
Decrease from adjusted 1974.....	-8,095,000	-3,063,000	-11,158,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
Annualization of the pay cost increase effective in FY 1974....	\$4,050,800	+\$393,000	\$4,443,800
GSA space rental costs.....	- -	+1,852,000	1,852,000
Watershed Protection Works of Improvement.....	106,876,500	-9,789,000	97,087,500
Flood Prevention Works of Improvement.....	22,282,700	-3,614,000	18,668,700
Emergency Measures.....	300,000	- -	300,000
Loan Services.....	476,000	- -	476,000
Total Available.....	<u>133,986,000</u>	<u>-11,158,000</u>	<u>122,828,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Watershed Protec- tion projects:				
(A) Works of Im- provement....	\$105,685,165	\$109,657,000	\$-8,098,000	\$101,559,000
(B) Loan services:	471,358	330,000	+3,000	333,000
Subtotal, Water- shed Protection				
Projects.....	106,156,523	109,987,000	-8,095,000(1)	101,892,000
2. Flood Prevention				
Projects:				
(A) Works of im- provement				
(a) Installa- tion of				
measures..	26,859,419	23,517,000	-3,064,000	20,453,000
(b) Flood				
preven-				
tion emer-				
gency mea-				
sures....	36,800,000	300,000	- -	300,000

PROJECT STATEMENT
(On basis of adjusted appropriation), continued

Project	1973	1974	Increase or	1975
		(estimated)	Decrease	(estimated)
(B) Loan services..	\$ 212,672	\$ 182,000	\$ +1,000	\$ 183,000
Subtotal, FP Pro-				
jects.....	63,872,091	23,999,000	-3,063,000(2)	20,936,000
Total, available or				
estimate.....	170,028,614	133,986,000	-11,158,000	122,828,000
Transfer to GSA	+20,886	+14,000		
Total, Appropriation..	170,049,500	134,000,000		

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974	Increase or	1975
	Actual	(estimated)	Decrease	(estimated)
1. Watershed Protec-				
tion projects:				
(A) Works of Im-				
provement:				
(a) Pilot				
watershed..	\$ 50,617	- -	- -	- -
(b) PL-566				
watersheds:	94,176,867	\$112,454,000	\$+1,740,653	\$114,194,653
(B) Loan services:	443,000	330,000	+3,000	333,000
Subtotal, Water-				
shed.....	94,670,484	112,784,000	+1,743,653(1)	114,527,653
Protection Pro-				
jects				
2. Flood Prevention				
projects:				
(A) Works of Im-				
provement:				
(a) Installa-				
tion mea-				
sures.....	22,593,527	24,771,000	+499,948	25,270,948
(b) Flood Pre-				
vention				
emergency				
measures..	8,402,515	28,697,485	-28,397,485	300,000
(B) Loan services..	198,672	182,000	+1,000	183,000
Subtotal, FP				
Projects.....	31,194,714	53,650,485	-27,896,537(2)	25,753,948
Total obliga-				
tions.....	125,865,198	166,434,485 a/	-26,152,884	140,281,601
Unobligated balance				
brought forward:				
Watershed Protection				
projects.....	-3,946,613	-15,432,653	+2,797,000	-12,635,653
Flood Prevention				
projects.....	-1,792,057	-34,469,433	+29,651,485	-4,817,948
Unobligated balance				
carried forward:				
WP projects.....	15,432,653	12,635,653	-12,635,653	- -
FP projects.....	34,469,433	4,817,948	-4,817,948	- -
Total available or				
estimate.....	170,028,614	133,986,000	-11,158,000	122,828,000

a/ Based on the adjusted appropriation for 1974 of \$133,986,000 plus obligations for flood prevention emergency measures of \$28,397,000 and pay cost increases for 1974 of \$4,050,800. Excludes \$17,453,601 of carryover balances withheld from use in 1974. This amount will be carried forward for obligation and reduce the amount of new budget authority required in 1975.

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention Operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1005, 1007-1008) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) which relate to installation of individual watershed projects, flood protection subwatershed projects, and emergency watershed protection.

The activities carried out are as follows:

Public Law 566 Watersheds

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development and other authorized features specified in the work plans.

The following table shows the status of P.L. 566 watershed projects by category of assistance provided and the average estimated obligations per project and total for all projects in each category:

Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
Total projects underway during year:	1,060:	1,078:	1,118:	1,158
Total using funds	687:	671:	685:	672
Projects receiving preconstruction :	:	:	:	:
land treatment and engineering :	:	:	:	:
services: :	:	:	:	:
Number of projects	195:	173:	165:	157
Average per project.....	32,219:	40,561:	40,000:	40,000
Total obligations	6,282,778:	7,017,064:	6,600,000:	6,280,000
Projects moved into construction :	:	:	:	:
stage during year: :	:	:	:	:
Number of projects	50:	33:	45:	45
Average per project	422,772:	416,794:	400,000:	400,000
Total obligations	21,138,581:	13,754,193:	18,000,000:	18,000,000
Prior year projects continuing :	:	:	:	:
construction and land treatment: :	:	:	:	:
Number of projects	386:	412:	405:	410
Average per project.....	183,872:	168,956:	206,728:	209,229
Total obligations	70,974,614:	69,609,790:	83,725,000:	85,784,000
Projects with construction com- :	:	:	:	:
pleted continuing land treatment: :	:	:	:	:
Number of projects	28:	30:	30:	30
Average per project	47,731:	19,964:	60,000:	60,000
Total obligations	1,336,489:	598,934:	1,800,000:	1,800,000
Projects completed during year: :	:	:	:	:
Number of projects	28:	23:	40:	40
Average per project	66,512:	61,739:	60,000:	60,000
Total obligations.....	1,862,362:	1,420,000:	2,400,000:	2,400,000
Obligations not included above: :	:	:	:	:
Advances for future water supply..	245,300:	1,647,006:	155,000:	160,000
Project evaluation studies	103,797:	119,270a/	104,000:	104,000
Undistributed equipment account..	11,477:	10,531:	--:	--

Continued

Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
Average for projects using funds..	148,407	140,353	164,166	169,933
Average for all projects.....	96,184	87,363	100,584	98,614
Total obligations.....	101,955,398	94,176,867	112,784,000	114,528,000

a/ Includes \$20,181 for Institute of Tropical Forestry.

Flood Prevention Projects

To provide consistency between the Flood Prevention Program in the eleven authorized watersheds and the Watershed Protection Program (PL-83-566) of the Department which have similar objectives, the planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program.

The Department is responsible for watershed improvement measures to prevent floods; reduce flood water, sedimentation, and erosion damages; further the conservation, development, utilization and disposal of water; further the conservation and proper utilization of land, and other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

<u>Subwatersheds Status</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
In construction	141	144	146
Completed	148	153	159
Not started	113	105	97

UNITED STATES DEPARTMENT OF AGRICULTURE

Soil Conservation Service

The following tabulation shows obligations in 1973 and estimated obligations in 1974 and 1975 in the authorized flood prevention projects. Buffalo Creek project in New York was completed in 1964.

Distribution of Flood Prevention Funds by Projects

Flood Prevention Projects	: 1973 : Obligations	: Brought Forward : from : 1973	: 1974 : Appropriation : (adjusted)	: Withheld : from use : 1974	: Total : Estimated : Obligations : 1974	: Budget : Estimate : 1975	: Estimated : Obligations : 1975
Colorado (Middle), Texas.....	1,631,259	285,073	2,062,755	148,657	2,199,171	1,528,370	1,677,027
Coosa, Georgia, Tennessee.....	274,796	143,559	387,250	-	530,809	131,133	131,133
Little Sioux, Iowa.....	1,035,513	189,981	1,076,204	149,749	1,116,436	876,903	1,026,652
Little Tallahatchie, Mississippi..	1,456,381	330,775	1,163,735	298,331	1,196,179	1,259,836	1,558,167
Los Angeles, California.....	1,607,928	258,857	1,463,900	258,857	1,463,900	1,597,400	1,856,257
Potomac, Maryland, Pennsylvania, Virginia, West Virginia.....	2,455,146	2,236,969	4,057,987	2,089,357	4,205,599	3,136,799	5,226,156
Santa Ynez, California.....	372,420	73,378	447,900	21,118	500,160	1,471,992	1,493,110
Trinity, Texas.....	4,518,444	911,906	4,789,354	696,179	5,005,081	3,142,410	3,838,589
Washita, Oklahoma, Texas.....	4,356,403	701,708	3,660,453	554,077	3,814,084	2,928,898	3,482,975
Yazoo, Mississippi.....	4,885,237	939,742	4,401,462	601,623	4,739,581	4,379,259	4,980,882
Subtotal, Authorized Projects...	22,593,527	6,071,948	23,517,000	4,817,948	24,771,000	20,453,000	25,270,948
Emergency Measures.....	8,402,515	28,397,485	300,000	-	28,697,485 ^{a/}	300,000	300,000
Total, Works of Improvement.....	30,996,042	34,469,433	-	4,817,948	53,468,485 ^{a/}	20,753,000	25,570,948
Loan Services.....	198,672	-	182,000	-	182,000	183,000	183,000
Total, Flood Prevention.....	31,194,714	34,469,433	23,999,000	4,817,948	53,650,485 ^{a/}	20,936,000	25,753,948

a/ Includes \$28,397,485 provided by the two Supplemental Appropriation Acts of 1973.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease in appropriations of \$8,095,000 for Watershed Protection Projects (\$109,987,000 appropriated in 1974). On the basis of available funds, there will be an increase of \$1,743,653 consisting of:

GSA Space rental cost.....	\$ +1,508,000
Annualization of pay costs increases effective in fiscal year 1974.....	+235,653

- (2) A decrease in appropriations of \$3,063,000 for Flood Prevention Projects (\$23,999,000 appropriated in 1974). On the basis of available funds, there will be a decrease of \$27,896,537 consisting of:

GSA Space rental cost.....	\$ +344,000
Annualization of pay cost increases effective in fiscal year 1974.....	+156,948
Emergency measures.....	-28,397,485

Excluding the flood prevention emergency measures which are related to particular emergencies and therefore, non-recurring, the program level for flood prevention projects in 1975 is increased by \$500,948 to fund GSA space rental costs and increased pay costs.

The total proposed program level of \$140,281,601 for Watershed and Flood Prevention Operations for 1975 provides for the continuation of the 1974 program level, excluding nonrecurring flood prevention emergency measures, and fully finances increased costs for pay and GSA space rental.

STATUS OF PROGRAM

WATERSHED PROTECTION PROJECTS

Current Activities: The Watershed Protection and Flood Prevention Act (Public Law 566, 83rd Congress), as amended (16 U.S.C. 1001-1008) provides for cooperation between the federal government and the states and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages in the watersheds of rivers and streams; to further the conservation, development, utilization and disposal of water; and the conservation and proper utilization of land. The work of the Department under this item consists of the following:

1. Technical and financial assistance for the installation of works of improvement specified in approved watershed work plans. These works include:

- a. Land treatment measures: Assurance that a program of proper land use and treatment will be carried out is a basic requirement for approval of assistance in the development of a watershed project. The Department furnishes land owners and operators technical assistance to speed up the planning and application of land treatment measures which help achieve project objectives. This assistance is in addition to that being received under other conservation programs.

Under this program, certain types of land treatment measures are required to be installed to achieve justified off-site flood prevention benefits. Such measures provide such small, or long-deferred benefits to the landowner that he cannot be expected to bear the entire installation cost. The cost of applying such measures may be paid for in part by the Department. Authority for such assistance is provided in Section 3 of the Watershed Protection and Flood Prevention Act. The rate of financial assistance on such special measures may not exceed the rate of assistance for similar practices under other conservation programs of the Department. Measures currently eligible for this type of financial assistance include those for intensified fire protection, stabilization of critical areas, minor gully, streambank and grade stabilization structures, and other on-farm measures, which may be used in lieu of downstream flood prevention structures. This work is accomplished through project agreements with local sponsoring organizations. The local sponsors arrange for and accomplish the work by contract or force account. Payments are made by the federal government to the local sponsoring organizations as the land treatment measures are installed.

- b. Structural measures. These include floodwater retarding structures, stream channel improvements, stabilizing and sediment control structures, water storage structures, etc. Detailed construction plans, designs and specifications are prepared for these measures by the Department or by private engineers employed either by the local sponsoring organization or the Department.

The federal government bears all construction costs of structural measures for flood prevention. It provides an equitable share of the cost of installing works of improvement for agricultural water management, and fish and wildlife or recreational development. The latter includes the cost of minimum basic facilities for public health and safety and access to recreational areas. Local organizations must pay all cost of works of improvement for other purposes. In addition, local organizations must acquire water rights and furnish land, easements and rights-of-way costs of public fish and wildlife and recreational developments may be paid with PL-566 funds. Local organizations must also administer construction contracts, unless they request SCS to do the contracting. They must also operate and maintain the completed works of improvement on non-federal lands.

Advances may be made to local sponsoring organizations from construction funds to provide for immediate acquisition of easements and rights-of-way. Advances may be provided to prevent encroachment by other developments. Also, advances may be made to provide up to 30 percent of the total estimated cost of a proposed impounding structure when such structures are to be used for additional storage of water to meet anticipated future demands for municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid before construction starts.

Funds for installation of planned structural measures on non-federal lands are provided to local organizations under the terms and conditions set forth in project agreements. Federal agencies carry out the watershed construction program on federal lands which they administer.

Engineering assistance is provided for flood prevention, agricultural water management, and for water resource development or improvement for public fish and wildlife and recreational purposes, either directly by the federal government or by the local organizations with advances or reimbursement from the federal government. The Department may also supply up to one-half the cost of engineering assistance required for the installation of minimum basic facilities for public fish and wildlife and recreational development.

2. Installation of works of improvement in "pilot" watersheds. Sixty-two pilot watersheds were authorized by the Congress under Authority of the Act of April 27, 1935 (16 U.S.C. 590a-f). Funds for all works of improvement have been obligated and construction was essentially completed in the fiscal year 1970.
3. Program evaluation studies in selected watershed projects to determine the effectiveness of structural and land treatment measures installed.
4. The making of loans to local organizations to finance the local share of the costs of installing planned works of improvement. Repayment with interest is required within 50 years after the principal benefits of improvements first become available. The 1973 appropriation act directed that watershed protection loans be financed from the Agricultural Credit Insurance Fund of the Farmers Home Administration. Loan services are financed from this appropriation.

Program Assignments

The Soil Conservation Service has general responsibility for administration of the Watershed Protection and Flood Prevention Act. This includes responsibility for the installation of land treatment measures and structural works of improvement on non-federal land in authorized watersheds. The Service also installs some works of improvement on federal lands by arrangement with the administering agency.

The Forest Service is responsible for installing planned land treatment measures and certain structural works on National Forests and other lands administered by the Forest Service in authorized projects. It is also responsible, in cooperation with and through state and local agencies, for the installation of planned forestry measures on other lands within the projects.

The Economic Research Service makes special economic analyses of watershed projects.

Farmers Home Administration has responsibility for administration of Sections 4 and 8 of the Act as they relate to loans and advances to local organizations. The Department allocates watershed protection funds to the Farmers Home Administration for "loan services" because such expenses may not be paid from the Agricultural Credit Insurance Fund of the FHA.

The Agricultural Research Service carries out trap efficiency studies to determine water and sediment outflow from reservoirs for use in designing floodwater retarding structures.

The Department of Interior's Bureau of Land Management and Bureau of Indian Affairs participate in the installation of works of improvement on lands under their jurisdiction.

Selected Examples of Recent Progress:

WATERSHED PROTECTION WORKS OF IMPROVEMENT

Agency Participation

The following table shows the amount of funds obligated for installation of watershed works of improvement in 1973 and estimates for 1974 and 1975 under allotments and allocations to cooperating agencies of the Department of Agriculture.

Agency	: 1973 : Obligations	: 1974 : Estimate	: 1975 : Estimate
Soil Conservation Service:			
Pilot Watersheds.....	50,617	- -	- -
PL-566 Watersheds.....	93,099,521	111,172,600	112,840,253
Economic Research Service:			
PL-566 Watersheds.....	118,599	110,800	111,400
Forest Service:			
PL-566 Watersheds.....	958,748	1,170,600	1,243,000
Total Pilot Watersheds.....	50,617	- -	- -
Total PL-566 Watersheds....	94,176,867	112,454,000	114,194,653
Grand Total.....	94,227,484	112,454,000	114,194,653

Status of "Pilot" Watershed Projects

Sixty-two "pilot" watersheds were started in fiscal year 1954 in cooperation with local sponsors. This work started under authority of the Act of April 27, 1935 (16 U.S.C. 590a-f). The purpose of the "pilot" watersheds was to demonstrate and evaluate the effectiveness of works of improvement installed in small watersheds for watershed protection and flood prevention purposes. As of June 30, 1972, work had been discontinued in 8 projects and completed as planned in 54, except for repair of some structural damage in 2 projects which were completed in fiscal year 1973.

Project evaluation studies in "pilot" watersheds have been completed. These studies were made to obtain data over a sufficient period of time to provide a reliable long-range appraisal of the effectiveness of works of improvement installed under the watershed protection program.

The following table shows the total cost for the completed pilot watershed projects:

	1973 Actual Amount No. (Thous)	1974 Estimate Amount No. (Thous)
1. Projects undergoing repair of structural damage	2 51	-- -
2. Projects completed (cumulative and total cost)	54 43,324	54 43,324
3. Projects discontinued (cumulative) and total cost	8 330	8 330
4. Total projects approved and total cost	62 43,654	62 43,654
5. Total obligations (cumulative)	-- 43,654	-- 43,654

Status of PL-566 Projects

Watershed work plans are prepared by sponsoring local organizations with the Department's assistance or with their own resources. After the work plans have been approved by the Department or the Congress as suitable for federal participation, technical and financial assistance can be provided for installation of works of improvement specified in the work plans. Projects involving an estimated federal contribution in excess of \$250,000 for construction, or construction of any single structure having a capacity in excess of 2,500 acre feet, require congressional committee approval.

Engineering services and assistance with land treatment are furnished on approved projects before they are advanced to the actual construction stage. During this stage, surveys and investigations are made and detailed designs, specifications, and engineering cost estimates are prepared for construction of structural measures. Areas are delineated where sponsors need to obtain land rights, easements and rights-of-way. Technical assistance is furnished to land owners and operators to accelerate planning and application of needed conservation land treatment measures in the watershed.

The project construction stage begins with the execution of the first project agreement or contract for construction of works of improvement. Under a project agreement, the sponsoring local organization agrees to construct a segment of the project which may consist of a single structure or interrelated group of structures. The project agreement obligates the government and the sponsoring local organization to share the construction costs as agreed to in the work plan. Engineering and other services are provided for preparation of contracts and inspection of construction.

When the local organization does the contracting, payments are made to them as the work progresses in accordance with the terms of the project agreement. When the local organization requests the SCS to do the contracting for works of improvement, the SCS makes payments directly to the contractor as the work progresses. This includes both amounts financed from federal funds and contributions received from local organizations for their share of construction costs. Technical assistance in planning and installing conservation land treatment measures is continued as agreed upon in the watershed work plan.

In fiscal year 1973, 18 projects were approved for operations which brought to 1,078 the total number of projects approved as of June 30, 1973. Three hundred and thirty-three of these projects were completed prior to 1973. Of the 745 projects in operations in 1973, 173 were receiving preconstruction land treatment and engineering services and 445 were in construction at the end of the year. Thirty-three of the latter were new construction starts in 1973. Twenty-three projects were completed in 1973 which brought the total number completed to 356 as of June 30, 1973. Land treatment assistance was continued on 30 projects on which construction had been completed prior to 1973. Seventy-four of the approved projects did not require federal funds during the fiscal year 1973 because of project inactivity.



Photos from Missouri illustrate work done through the small watershed program. Top photo, land treatment and conservation practices, such as terraces and waterways, were established to help control runoff and erosion. Below is the same area with a flood control structure in place. Brushy areas are developed for wildlife.



Projected PL-566 Project Activity and Obligations

The following tabulation shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated. The table also shows minor obligations for project evaluation studies, advances for future water supply, and balances remaining in the undistributed equipment account which have not been distributed to projects.

Item	1973	Actual	1974	Estimate	1975	Estimate
	Num-	Amount	Num-	Amount	Num-	Amount
	ber	(Thou- sands)	ber	(Thou- sands)	ber	(Thou- sands)
1. Projects approved for operation and estimated cost of completion:	:	:	:	:	:	:
(a) Uncompleted projects at beginning of year.....	727:	653,305:	722:	592,720:	722:	550,895
(b) Projects approved during year	18:	31,815:	40:	70,700:	40:	70,700
Total.....	745:	685,120:	762:	663,420:	762:	621,595
2. Status of projects and amounts obligated:	:	:	:	:	:	:
(a) Projects inactive on June 30.	74:	- -	77:	- -	80:	- -
(b) Projects receiving preconstruction land treatment and engineering services.....	173:	7,017:	165:	6,600:	157:	6,280
(c) Projects moved into construction stage during year.....	33:	13,754:	45:	18,000:	45:	18,000
(d) Prior year projects continuing construction and land treatment.....	412:	69,610:	405:	83,725:	410:	85,784
(e) Projects with construction completed continuing land treatment.....	30:	599:	30:	1,800:	30:	1,800
(f) Projects completed during year	23:	1,420:	40:	2,400:	40:	2,400
Total projects.....	745:	92,400:	762:	112,525:	762:	114,264
3. Obligations not included above:	:	:	:	:	:	:
(a) Advances for future water supply.....	:	1,647:	:	155:	:	160
(b) Project evaluation studies...	:	119:	:	104:	:	104
(c) Undistributed equipment acct.	:	11:	:	- -	:	- -
(d) Pilot watershed repair.....	:	51:	:	- -	:	- -
Total.....	:	94,228:	:	112,784:	:	114,528
4. Uncompleted projects (cumulative) at end of year:	:	:	:	:	:	:
(a) Obligations to date.....	722:	635,580:	722:	723,893:	722:	777,557
(b) Estimated cost of completion.	722:	592,720:	722:	550,895:	722:	507,331
5. Projects completed (cumulative) and total cost.....	356:	213,388:	396:	237,600:	436:	298,200
6. Total project approved (cumulative) and total cost.....	1,078:	1,637,201:	1,118:	1,707,901:	1,158:	1,778,601
7. Obligations (cumulative):	:	:	:	:	:	:
Projects.....	- -:	848,968:	- -:	961,493:	- -:	1,075,757
Other.....	- -:	3,505:	- -:	3,764:	- -:	4,028
Total.....	- -:	852,473:	- -:	965,257:	- -:	1,079,785

Installation Progress in PL-566 Watershed Projects

The following tabulation shows by state descriptive information concerning the extent of the program and rate of progress in obligating funds for the installation of works of improvement in PL-566 watersheds. On the line with the name of the state, there is shown information concerning projects wholly within a state. Data for interstate projects are listed on separate lines. Those identified with the letter A- identify interstate projects for which the state has primary responsibility. Letter B- identifies interstate projects for which other states have primary responsibility. Only the applicable portion of an interstate project is included in a state.

State	Number Projects Approved 6/30/73	Total Watershed Area (Acres)	Total Estimated Federal Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 6/30/73	% Federal Cost Obligated as of 6/30/73
Alabama.....	25	1,643,192	38,396,563	75.8	15,512,857	40.4
A-interstate	2	191,548	3,566,820	73.0	3,518,781	98.7
B-interstate	(2)	31,684	1,216,798	76.9	1,197,643	98.4
Total, AL.	27	1,866,424	43,180,181	75.6	20,229,281	46.8
Arizona.....	11	1,021,778	24,497,253	57.9	12,928,591	52.8
Arkansas.....	49	2,821,518	73,117,612	64.1	36,946,816	50.5
A-interstate	2	143,258	2,587,357	62.3	658,180	25.4
Total, AR.	51	2,964,776	75,704,969	64.0	37,604,996	49.7
California...	21	909,413	74,590,340	59.1	41,975,906	56.3
Colorado.....	15	806,797	9,793,349	64.2	7,725,021	78.9
Connecticut..	6	76,776	18,543,188	58.3	12,612,994	68.0
A-interstate	2	52,274	3,064,832	64.1	3,058,981	99.8
Total, CT.	8	129,050	21,608,020	59.1	15,671,975	72.5
Delaware.....	2	124,298	3,135,544	55.8	3,130,712	99.8
A-interstate	2	107,100	6,044,535	64.0	2,271,470	37.6
B-interstate	(1)	-	1,000	33.3	273	27.3
Total, DE.	4	231,398	9,181,079	61.0	5,402,455	58.8
Florida.....	19	1,169,358	21,611,381	45.7	11,999,626	55.5
A-interstate	1	55,600	180,909	48.0	180,909	100.0
Total, FL.	20	1,224,958	21,792,290	45.8	12,180,535	55.9
Georgia.....	60	3,777,763	85,066,496	62.5	38,073,487	44.8
B-interstate	(2)	9,266	7,361	15.4	4,221	57.3
Total, GA.	60	3,787,029	85,073,857	62.4	38,077,708	44.8
Hawaii.....	6	282,710	13,600,676	57.5	9,430,801	69.3
Idaho.....	6	303,113	6,332,134	56.2	5,334,868	84.3
Illinois.....	17	938,584	27,437,692	54.5	12,248,080	44.6
Indiana.....	29	1,836,090	49,848,060	54.2	28,742,539	57.7
Iowa.....	41	675,171	33,700,165	71.5	17,914,819	53.2
Kansas.....	41	3,665,698	74,281,598	70.0	40,480,994	54.5
A-interstate	1	219,000	5,040,000	83.1	5,026,239	99.7
B-interstate	(1)	12,820	435,000	67.8	182,202	41.9
Total, KS.	42	3,897,518	79,756,598	70.7	45,689,435	57.3
Kentucky.....	28	1,868,028	39,721,803	56.4	23,765,601	59.8
A-interstate	1	189,019	1,016,165	29.6	1,016,165	100.0
B-interstate	(2)	16,543	46,085	25.8	46,085	100.0
Total, KY.	29	2,073,590	40,784,053	55.1	24,827,851	60.9
Louisiana....	31	3,569,525	51,726,634	41.7	21,737,591	42.0
B-interstate	(1)	1,637	6,000	75.0	-	-
Total, LA.	31	3,571,162	51,732,634	41.7	21,737,591	42.0
Maine.....	8	380,015	7,788,852	69.6	4,368,072	56.1
A-interstate	1	20,840	659,600	81.5	322,220	48.9
Total, ME.	9	400,855	8,448,452	70.4	4,690,292	55.5
Maryland.....	16	233,819	13,067,019	53.9	10,634,772	81.4
B-interstate	(2)	50,500	2,279,162	69.8	1,534,504	67.3
Total, MD.	16	284,319	15,346,181	55.8	12,169,276	79.3

State	Number Projects Approved 6/30/73	Total Watershed Area (Acres)	Total Estimated Federal Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 6/30/73	% Federal Cost Obligated as of 6/30/73
Massachusetts	10	457,262	21,137,796	56.4	9,387,326	44.4
B-interstate	(2)	10,600	111,196	68.3	111,196	100.0
Total, MA.	10	467,862	21,248,992	56.4	9,498,522	44.7
Michigan.....	18	688,280	13,696,396	44.5	7,222,151	52.7
Minnesota....	14	1,101,929	8,264,980	52.5	5,886,136	71.2
B-interstate	(1)	9,480	132,000	79.2	61,479	46.6
Total, MN.	14	1,111,409	8,396,980	52.8	5,947,615	70.8
Mississippi..	46	3,230,989	78,825,828	62.4	26,783,267	34.0
A-interstate	2	276,772	6,410,815	60.9	2,629,616	41.0
B-interstate	(2)	13,920	424,800	66.0	347,196	81.7
Total, MS.	48	3,521,681	85,661,443	62.3	29,760,079	34.7
Missouri.....	17	697,752	20,698,034	58.8	12,496,917	60.4
B-interstate	(1)	68,480	2,587,800	80.4	718,599	27.8
Total, MO.	17	766,232	23,285,834	60.6	13,215,516	56.8
Montana.....	10	353,433	10,764,620	68.6	7,194,026	66.8
Nebraska.....	38	2,276,286	35,627,814	57.6	21,340,461	59.9
A-interstate	1	22,530	501,100	64.7	163,356	32.6
Total, NB.	39	2,298,816	36,128,914	57.6	21,503,817	59.5
Nevada.....	5	388,142	3,939,549	61.3	2,645,581	67.2
New Hampshire	6	455,350	17,613,045	67.6	7,484,826	42.5
A-interstate	(1)	26,240	1,067,000	89.4	301,833	28.3
Total, NH.	6	481,590	18,680,045	68.6	7,786,659	41.7
New Jersey...	12	252,647	14,725,744	59.3	9,115,610	61.9
New Mexico...	23	1,209,595	27,575,334	90.8	13,222,002	47.9
B-interstate	(1)	147,500	998,000	44.5	80,420	8.1
Total, NM.	23	1,357,095	28,573,334	87.7	13,302,422	46.6
New York.....	11	648,153	31,327,967	81.4	15,179,968	48.5
North Carolina	38	1,534,984	35,048,664	58.6	15,641,904	44.6
A-interstate	2	114,650	1,941,814	63.3	720,519	37.1
B-interstate	(1)	14,250	1,486,255	75.5	809,209	54.4
Total, NC.	40	1,663,884	38,476,733	59.3	17,171,632	44.6
North Dakota	16	2,191,114	22,950,169	65.6	11,582,962	50.5
A-interstate	2	221,377	864,788	36.1	864,788	100.0
Total, ND.	18	2,412,491	23,814,957	63.7	12,447,750	52.3
Ohio.....	14	944,572	33,442,786	63.5	14,518,198	43.4
Oklahoma.....	60	5,973,821	125,580,296	59.9	66,990,265	53.3
B-interstate	(1)	9,000	163,600	86.3	155,710	95.2
Total, OK.	60	5,982,821	125,743,896	60.0	67,145,975	53.4
Oregon.....	13	679,393	31,789,518	50.3	13,898,290	43.7
Pennsylvania.	20	844,087	38,868,470	61.4	21,679,933	55.8
A-interstate	1	211,200	3,278,257	25.5	1,734,181	52.9
B-interstate	2	118,350	6,894,320	72.1	1,722,179	25.0
Total, PA.	21	1,173,637	49,041,047	57.2	25,136,293	51.3
Puerto Rico..	3	252,002	9,506,522	68.4	1,675,640	17.6
South Carolina	33	1,127,162	27,745,713	57.8	11,451,090	41.3
A-interstate	1	80,471	2,636,072	54.8	416,880	15.8
Total, SC.	34	1,207,633	30,381,785	57.5	11,867,970	39.1
South Dakota.	12	480,167	8,621,333	68.7	3,181,008	36.9
A-interstate	1	27,130	436,947	74.2	418,707	95.8
B-interstate	(2)	105,927	772,679	58.6	772,679	100.0
Total, SD.	13	613,224	9,830,959	68.0	4,372,394	44.5
Tennessee....	26	989,172	41,002,994	73.9	17,534,772	42.8
A-interstate	5	234,943	5,694,729	61.2	5,041,427	88.5
B-interstate	(3)	39,591	1,019,261	64.2	283,424	27.8
Total, TN.	31	1,263,706	47,716,984	71.9	22,859,623	47.9

State	Number Projects Approved 6/30/73	Total Watershed Area (Acres)	Total Estimated Federal Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 6/30/73	% Federal Cost Obligated as of 6/30/73
Texas.....	71	6,920,020	116,066,711	55.7	60,312,686	52.0
A-interstate	1	80,282	532,525	32.1	63,080	11.8
Total, TX.	72	7,000,302	116,599,236	55.5	60,375,766	51.8
Utah.....	11	1,179,326	21,228,805	45.9	16,148,238	76.1
Vermont.....	3	42,427	4,531,306	74.5	3,377,117	71.3
Virginia.....	24	1,337,328	24,938,247	59.5	14,746,159	59.1
B-interstate	(2)	42,850	809,214	66.8	51,735	6.4
Total, VA.	24	1,380,178	25,747,461	59.7	14,797,894	57.5
Washington...	11	227,229	18,929,560	42.3	13,568,527	71.7
West Virginia	19	359,690	27,490,877	67.6	9,151,489	33.3
A-interstate	2	97,180	6,085,860	77.5	5,436,134	89.3
Total, WV.	21	456,870	33,576,737	69.2	14,587,623	43.4
Wisconsin....	22	1,082,549	20,676,078	76.8	14,488,469	70.1
Wyoming.....	11	559,271	5,832,801	63.0	4,544,365	77.9
Total Projects	1,078	67,661,590	1,634,550,783	59.8	848,968,055	51.9
Project Evalu-						
ation Studies			700,000		618,753	88.4
Undistributed						
Equipment						
Cost.....			- -		405,303	- -
Advances for						
Future Water						
Supply.....			3,000,000		2,399,176	80.0
Institute of						
Tropical						
Forestry....					30,130	- -
Grand Total..	1,078	67,661,590	1,638,250,783	60.0	852,421,417	52.0

Acceleration of Soil Surveys and Conservation
Planning in Watershed Projects

(Pilot and PL-566 Watersheds)

Watershed Protection funds are used to accelerate soil surveys, conservation planning, and installation of conservation land treatment measures in watershed projects as specified in project work plans. This technical assistance is given when assistance under other conservation programs falls short of meeting project objectives within the agreed upon installation period.

The following table shows the acres of soil surveys and the number and acres of conservation farm and ranch plans prepared in the 1973 fiscal year with Watershed Protection funds and estimates for 1974 and 1975.

Item	1973 Actual	1974 Estimate	1975 Estimate
Soil surveys (acres, mapped)	561,183	800,000	800,000
Conservation plans prepared:			
Number	2,963	3,000	3,000
Acres	535.760	550,000	550,000

The following table shows the acres of soil surveys and the number of conservation plans prepared cumulative through June 30, 1973, with both Watershed Protection and other funds in the pilot and PL-566 projects in operation or completed by June 30, 1973.

Item	Watershed Protection Funds	Other Funds	Grand Total in Projects
Soil surveys (acres, mapped) ..	13,881,199	35,642,929	49,524,128
Total number cooperators	*	*	218,505
Conservation plans prepared:			
Number	63,059	134,473	197,532
Acres	10,887,183	28,482,034	39,369,217

* Not available by fund.

Works of Improvement Installed in Watershed Protection Projects
(Pilot and PL-566 Watersheds)

The following table shows the works of improvement installed in pilot and Public Law 566 projects in the fiscal year 1973 and cumulative accomplishments in these watersheds under all programs as of June 30, 1973, with technical and financial assistance provided by the Soil Conservation Service and the Forest Service.

Works of Improvement	Unit	Installed in 1973 With Assistance Under		Est. Practices "On The Land" in Active Projects as of 6/30/73
		Watershed Pro- tection Program	Other Programs	
SOIL CONSERVATION SERVICE				

1. Projects in operation during year:

a. Pilot watersheds	No.	- -	- -	- -
b. PL-566 watersheds	No.	1,078	- -	- -

2. Works of improvement installed:

a. Structural Measures:

Dam, Multipurpose	No.	9	9	267
Dam, Multipurpose	Ac.Ft.	7,500	446	566,000
Debris Basin	No.	29	33	1,300
Dike	Miles	8	11	370
Floodwater Retarding Structures	No.	137	4	2,470
Floodwater Retarding Structures	Ac.Ft.	143,351	14	1,916,000
Floodway	Feet	5,746	- -	403,000
Grade Stabilization Structures	No.	216	393	16,600
Open channel	Miles	169	6	2,800
Stream Channel Stabilization	Miles	1	3	90

b. Land Treatment Measures:

Access Road	Miles	76	102	1,700
Bedding	Acres	217	743	63,000
Brush Control	Acres	137,587	137,775	2,375,000
Chiseling and Subsoiling	Acres	41,213	27,313	490,000
Clearing and Snagging	Miles	4	12	450
Commercial Fish Ponds	Acres	63	589	5,200
Conservation Cropping System	Acres	595,339	706,160	10,900,000
Contour Farming	Acres	67,612	104,179	3,300,000
Critical Area Planting	Acres	8,111	5,837	260,000

Works of Improvement-Cont'd SOIL CONSERVATION SERVICE	Unit	Installed in 1973 With Assistance Under		Est. Practices "On The Land" in Active Projects as of 6/30/73
		Watershed Pro- tection Program	Other Programs	
b. Land treatment Measures:				
Crop Residue Management	Acres	600,149	687,052	9,500,000
Dam, Diversion	No.	3	7	480
Deferred Grazing	Acres	80,059	130,132	2,000,000
Disposal Lagoon	No.	7	63	270
Diversion	Miles	46	70	5,700
Drain	Miles	294	648	30,200
Drainage Field Ditches	Miles	127	187	18,100
Drainage Land Grading	Acres	1,875	4,680	60,000
Drainage Main or Lateral	Miles	251	247	24,000
Farmstead and Feedlot Windbreak	Acres	119	1,058	17,600
Fencing	Miles	201	204	28,000
Field Border	Miles	58	58	1,800
Field Windbreak	Miles	26	20	4,300
Firebreak	Miles	106	81	1,200
Fish Raceway	Feet	- -	- -	7,000
Fishpond Management	No.	2,613	3,406	55,000
Fish Stream Improvement	Feet	- -	- -	68,000
Floodwater Diversion	Feet	4,708	- -	75,000
Grassed Waterway or Outlet	Acres	1,892	7,450	155,000
Grazing Land Mechanical Treatment	Acres	55	- -	23,000
Heavy Use Area Protection	Acres	62	5	5,000
Hedgerow Planting	Miles	9	11	1,100
Hillside Ditch	Miles	- -	- -	6
Holding Ponds and Tanks	No.	15	82	300
Irrigation Canal or Lateral	Miles	2	1	1,400
Irrigation Ditch and Canal Lining	Miles	1	24	1,900
Irrigation Field Ditch	Miles	9	23	3,000
Irrigation Land Leveling	Acres	2,234	10,858	746,000
Irrigation Pipeline	Miles	90	99	2,400
Irrigation Pit or Regula- ting Reservoir	No.	10	57	1,800
Irrigation Storage Reser- voir	No.	2	6	1,500
Irrigation Storage Reser- voir	Ac.Ft.	1,227	101	70,000
Irrigation System, Sprinkler	No.	64	163	4,300
Irrigation System, Sprinkler	Acres	4,968	9,864	294,000
Irrigation System, Surface and Subsurface	No.	78	243	9,500
Irrigation System, Surface and Subsurface	Acres	14,841	16,511	790,000
Irrigation System, Tailwater Recovery	No.	14	34	670
Irrigation Water Management	Acres	44,385	51,621	884,000
Land Smoothing	Acres	6,561	10,346	534,000
Livestock Exclusion	Acres	15,183	21,998	700,000
Minimum Tillage	Acres	92,541	73,939	1,300,000
Mulching	Acres	1,952	567	44,000
Pasture and Hayland Planting	Acres	76,709	125,417	4,900,000

Works of Improvement-Cont'd SOIL CONSERVATION SERVICE	Unit	Installed in 1973 With Assistance Under		Est. Practices "On The Land" in Active Projects as of 6/30/73
		Watershed Pro- tection Program	Other Programs	
b. Land treatment Measures:				
Pasture and Hayland Mngt.	Acres	370,397	569,024	4,800,000
Pipeline	Miles	15	42	760
Planned Grazing Systems	Acres	9,575	77,600	496,000
Pond	No.	363	2,557	126,000
Prescribed Burning	Acres	10,678	14,354	220,000
Proper Grazing Use	Acres	242,245	524,534	5,800,000
Pumping Plant for Water Control	No.	94	23	3,100
Range Seeding	Acres	1,453	7,880	434,000
Recreation Area Improve- ment	Acres	1,759	5,721	58,000
Recreation Land Grading and Shaping	Acres	233	466	22,000
Recreation Trail and Walkway	Miles	32	38	400
Spring Development	No.	13	109	6,800
Stock Trails and Walkways	Feet	- -	- -	338,000
Streambank Protection	Miles	33	20	690
Stripcropping	Acres	3,642	2,708	400,000
Structures for Water Control	No.	1,488	2,706	200,000
Terrace, Basin	Miles	- -	1	115
Terrace, Gradient	Miles	60	697	73,200
Terrace, Level	Miles	2	92	13,000
Terrace, Parallel	Miles	43	322	6,300
(Total, Terraces)	Miles	(105)	(1,112)	(92,615)
Toxic Salt Reduction	Acres	366	2,823	41,000
Tree Planting	Acres	6,664	5,439	980,000
Trough or Tank	No.	130	359	17,000
Waterspreading	Acres	115	- -	550
Well	No.	131	296	20,200
Wildlife Upland Habitat Management	Acres	104,768	198,918	1,500,000
Wildlife Wetland Habitat Management	Acres	16,972	12,274	225,000
Wildlife Watering Facility	No.	26	32	900
Woodland Direct Seeding	Acres	201	27	23,000
Woodland Improved Harvesting	Acres	28,070	52,521	1,450,000
Woodland Improvement	Acres	11,546	22,138	855,000
Woodland Pruning	Acres	1,893	251	8,000
Woodland Site Preparation	Acres	3,296	14,892	248,000
Land adequately treated	Acres	503,590	745,006	- -
Land adequately protected	Acres	- -	- -	30,000,000

Forest Service

Works of Improvement	Unit	Installed in 1973 With Assistance Under the Watershed Protection Program	Est. Practices "On The Land" in Active Projects as of 6/30/73
<u>Land Treatment Measures</u>			
Channel Improvement	Miles	5	6.5
Channel Stabilization	Miles	3.3	9.7
Contour Terrace and Furrows	Miles	53	272.4
Area Treated	Acres	1,150	12,176
Gully Control and Stabiliza- tion	Miles	8.5	145.5
Grade Stabilization Structures	No.	298	1,473
Critical Area Stabilization by Tree Planting and Other Measures	Acres	958	36,313
Forest Road and Roadbank Stabilization	Miles	137.3	1,136
Acres Treated	Acres	477	3,687
Fire; Roads, Trails and Fire- breaks and Fuelbreaks	Miles	79.6	1,091
Fire Control Water Develop- ments	No.	1	31
Fire Towers	No.	0	8
Intensified Fire Protection	Acres	224,197	2,242,206
Heliports and Helispots	No.	3	29
Mobile Fire Equipment	No.	2	55
Other Fire Control Improvements	No.	0	450
Radio Installations	No.	0	48
Forest Watershed Management Plans Prepared	No.	675	8,979
Area Included	Acres	60,325	2,105,607
Forest Stand Improvement	Acres	4,039	1,045,273
Proper Harvest Cutting	Acres	21,925	366,173
Range and Grass Seeding	Acres	5,113	42,437
Tree Planting and Seeding	Acres	8,791	217,252
Revegetation, Surface Mined Areas	Acres	17	1,382
Woodland Thinning and Release	Acres	20,658	640,837
Woodland Grazing Control	Acres	12,572	274,639
Recreation Area Development	Acres	3,242	4,438
Wildlife Habitat Development	Acres	9,311	16,378
Wildlife Ponds	No.	4	39

The following table shows the structural measures installed on the 356 projects that were completed as of June 30, 1973:

Works of Improvement	Unit	Est. Practices "On The Land" in Active Projects as of 6/30/73
Debris Basin	Number	2,559
Dike and Levee	Miles	307
Floodwater Retarding Structure	Number	1,443
Grade Stabilization Structure	Number	9,237
Open Channel	Miles	2,881
Stream Channel Stabilization	Miles	122



Above is critical area stabilization of an active gully by tree planting. Below, the trees have begun to stabilize and beautify the area and increase wildlife cover.



Project Installations Providing Protection

The works of improvement installed in watershed protection projects are effective in reducing floodwater erosion, and sediment damages as evidenced by the following example:

Pennsylvania: The 52,940 acre Marsh Creek Watershed project was approved for installation of land treatment and structural measures in December 1963 and completed in fiscal 1972. Problems considered in preparing the work plan were floodwater damage to businesses, industrial and residential properties, inadequate water supply and recreation facilities and sediment and erosion damage to agricultural land.

Conservation plans have been developed on the farms of 122 of the 215 land-owners in the watershed. District cooperators have applied over 100 percent of the land treatment measures needed in the watershed. One floodwater-retarding structure, two multipurpose structures and a basic recreation facility were installed.

Flood Damage Reduction - During Hurricane Agnes in June 1972, no damage except wet basements was reported in the Borough of Wellsboro. Three flash floods have occurred this summer with over 3" of rain and no resulting damage. Local reaction after Hurricane Agnes was one of gratitude and complete satisfaction with the project. It was estimated that the project has prevented over \$10,000,000 in flood damages to date.

Recreation - Two structures, PA-601 and PA-602, are used for recreation purposes. Picnicking and group meetings are becoming more popular each year. A Resources Day at PA-601 has become an annual event during the Pennsylvania Laurel Festival. Many water oriented contests (canoe races, fishing, bait casting) are sponsored. The local archery club has established a complete permanent archery range around the lake. PA-602 has become very popular for its trout fishing in the spring and ice fishing.

Municipal Water Supply- Since the installation of PA-602 to provide an adequate water supply for Wellsboro, the borough has purchased the private water company that previously supplied the borough. There has been a continued upgrading of the water systems with new lines, etc.

Industrial Water Supply- The borough is in the process of installing new 12" pipe to supply Corning Glass and Bordons Mills plant and surrounding areas.

Fish and Wildlife - There has been many man-hours of fishing made available by the two lakes. PA-602 is stocked with trout and gets extremely heavy use during spring trout season. It is also becoming increasingly popular for ice fishing. PA-601 is stocked to warm water species of fish and has attracted many fishermen.

Sediment Damage Reduction - Sediment damage reduction, due to land treatment measures installed, is estimated to exceed \$2,000 annually.

Local Reaction- Local reaction has always been extremely good on this project. However, Hurricane Agnes really proved to the local people the magnitude of their protection. Wellsboro was one of the few communities in the county that did not sustain major damage during the storm. Local people could not give enough praise to the project. Many people who were skeptical of the project went out of their way to make it known that they had changed their mind and now thought it was the best program ever completed in Wellsboro.

Multiple-Purpose Watershed Projects Increasing

Local sponsors of watershed projects continue to take full advantage of the broad opportunities offered under Public Law 566 to develop multiple-purpose projects. About 56 percent of the 1078 projects approved for operations as of

June 30, 1973, included structural measures with purposes other than flood prevention. The following are examples of three categories of multipurpose watersheds and the benefits being realized by the local people.

1. Projects with agricultural water management features. Three hundred and forty-three watershed projects include structural measures for agricultural water management in addition to flood prevention features. Of these, 259 include drainage improvements on existing cropland and 84 include irrigation. The following examples show water management benefits derived under this program.

Florida: Operations began in the 26,200 acre Istokpoga Marsh Watershed project in July 1963. The work plan provides for flood prevention, watershed protection and drainage.

Land treatment work began soon after project construction started. There have been several miles of drainage mains and laterals and structures for water control installed already. Work on this is progressing nicely. Principal measures are 5,100 acres of pasture planting, 39 miles of dikes and levees, 5,590 miles of mole drains, 170 miles of mains and laterals, 318 water control structures, and 30 irrigation systems. Of the 66 landowners, 50 are district cooperators and 36 have basic farm plans. Twenty eight miles of channel work and 20 water control structures have been installed.

The completed first phase of the project was tested by Hurricane "Abby" in 1968. With 6 inches of rainfall in 24 hours, coupled with additional rains for a total of 10-12 inches in 3 days, the works of improvement functioned well. Some pumping was necessary from caladium and citrus fields, but this is as planned. The county continues to do a good job of maintenance of the project works. One landowner says that he has saved more on pumping costs than the \$10 per acre assessment he paid as his share of the project costs.

The first phase of the project was again tested by a drought that lasted from January to May 1971. This was the worst in recorded history. The fact that water could be let into the project area from Lake Istokpoga made it possible to prevent serious fires usually occasioned by droughts of this duration. What fires did occur were brought quickly under control by raising the water in the channels, thus raising the water table to dampen the organic soils sufficiently to prevent them from burning. There have been no unusual conditions during fiscal year 1973 to test the project. However, many landowners have expressed being pleased with having irrigation water available whereas it had never been available before.

Utah: The 115,500 acre Blue Creek-Howell Watershed was approved for operations in 1959. The problems in the watershed were floodwater and sediment damages to agricultural land, and irrigation supply and facilities, high water loss in irrigation canals and ditches, and flood damage to road systems.

More than 50 percent of the land is adequately treated. Conservation plans have been developed on 65 of the 94 operating units in the project. 180 miles of diversions and terraces have been installed.

Structural measures installed include one multipurpose dam, 21 debris basins, five grade stabilization structures, 20 wildlife watering facilities, 44 miles of floodwater diversions and 9 irrigation canal crossings.

The multi-purpose structure has been extremely effective in preventing hundreds of tons of sediment and debris from entering Blue Creek Springs and irrigation reservoir, thus, each year, the need for expensive dredging and cleaning has been eliminated. In addition, the irrigation company has obtained additional water from the multi-purpose structure. Diversions and terraces have made it possible to farm the treated areas on the contour. The combination of structural and management practices have reduced, and in several cases, eliminated erosion and silt producing areas. Grade stabilization structures and debris basins have stopped head cuts through dry cropland fields and protected areas from silt deposition.

Wildlife - The watering facilities which have been constructed maintain a dependable water supply for game birds and animals. A game manager has indicated that the watering facilities tend to bunch birds for much better hunting.

Local Reaction - Most comments have been from landowners and operators in the areas where cropland has been protected from runoff of the higher rangeland and land treatment has been installed (terraces, contour farming, and residue management). Comments are, "Water is being held on the land where it falls and is needed," and "Soil tilth seems to be improving."

In 1973, heavy rains caused severe erosion on lands not yet treated which are located on the east, west, and south sides of the watershed. No erosion occurred on areas which were treated with terraces, diversions, and debris basins. Heavy storms filled several control structures, but floods did not occur.

2. New Water Based Recreation areas. Plans for 192 small watershed projects approved as of June 30, 1973, include 221 developments to create or improve facilities for the enjoyment of outdoor recreation in addition to flood prevention and watershed protection.

Commitments for public recreation developments now total about \$136 million. About \$77 million will come from non-federal sources. Local sponsoring organizations are responsible for operating and maintaining the reservoirs and recreation areas. It is estimated the new recreation areas will attract 15 million visits a year for boating, fishing, swimming, picnicking, camping, and allied forms of recreation. This will have a favorable economic impact on nearby communities. Reservoirs to provide more than 50,000 acres of additional water surface for recreation will be located in 38 states.

The following example is typical of the recreational and fish and wildlife benefits being enjoyed by residents in PL-566 projects and surrounding areas.

Arkansas: The 24,050 acre Flat Creek project was approved for operations in September 1959. Problems considered in developing the work plan were floodwater and sediment damage to agricultural land, poor drainage, critically eroded areas, and the need for water for fish and wildlife development and recreation.

Conservation plans have been developed on 148 of the 149 operating units in the project. More than 75 percent of the planned land treatment measures have been applied. All of the five planned floodwater-retarding dams have been installed. The multi-purpose dam was completed in 1962 and recreation facilities installed in time for use in the summer of 1965. In addition 4.6 miles of diversion and 10 miles of channel work were installed.

Recreational use of the 650-acre site 3 and the adjacent recreational development has exceeded planning estimates. The Lake Charles State Park was officially dedicated May 28, 1967. An estimated 12,372 persons attended the dedication. According to the State Highway Department, the traffic count of this date exceeded 2,500 cars.

The average number of vehicles passing on Highway 25 between Powhatan and Lake Charles exceeds 1,500 per day. Since the opening of the park, all 126 picnic tables and 90 campsites have 100-percent occupancy on weekends during the summer. Although additional camping areas have been added by the Department of Parks and Tourism, additional facilities and acreage are needed to accommodate the increasing number of persons visiting the park each year.

Mr. Homer Segraves of Strawberry, Arkansas, says, "The Flat Creek Watershed and Lake Charles have done more to unite our county in its fine recreational developments than any other thing."

In 1972, a year when crops were very difficult to harvest, the Flat Creek farmers were able to harvest their crops except for a small area along Black River which flooded from the river. Black River is the outlet for Flat Creek.

Watershed improvements have produced a substantial reduction in floodwater damages which formerly resulted from Flat Creek overflows. The most visible indications of the benefits from the six structures and channel improvement are the significant reductions in the number of times a crop must be replanted and the decrease in the acres of crops lost to flooding at harvest time.

3. Municipal water supply. As of June 30, 1973, local sponsors in 139 watersheds had included municipal water supply features in their watershed work plans in addition to flood prevention and watershed protection. An example of a project which includes additional storage capacity for municipal water supply follows:

Ohio: The 38,600 acre Margaret Creek project was approved for installation of land treatment and structural measures in October 1965. Watershed problems included soil erosion in upland areas, flood damage to agricultural lands, rural properties, and transportation facilities, need for a water supply for Albany, and need for water based recreation.

The installation of land treatment measures was greatly accelerated. Two hundred thirty-one of the 248 operating farm units in the watershed are district cooperators, 131 have conservation plans. About 80 percent of the watershed area is now adequately treated.

Four of the six planned floodwater retarding structures have been completed at a PL-566 cost of \$876,163. Two of the completed structures are multiple purpose. One includes fish and wildlife as a purpose, the other includes both municipal water storage and recreation with basic facilities. A contract has been awarded on another floodwater retarding structure in the amount of \$176,000. Only one floodwater retarding structure remains to be installed to complete construction of the structural measures.

Municipal Water Supply was included in the reservoir of Structure 2. To date over 1,300 water taps have been made in the Albany, Carbondale, Hebardville, and New Marshfield communities. The conservancy district sells water to the Le-Ax Company which treats and distributes water to its customers. The total cost of structure 2 was \$417,333. The PL-566 share was \$228,281. Local costs included both the recreation and water supply purposes. The Lake Snowden recreation development was completed in December 1972, and opened to the public on May 30, 1973. The area provides complete camping and recreation facilities.

Flood Damage Reductions have already been realized downstream from the four floodwater retarding structures that have been built. No significant flood producing storms have occurred in the watershed during the past year. Most damage reduction benefits were to low lying roads and cropland areas which had been flooded frequently prior to the building of the structures.

Recreation benefits are now being realized at Fox Lake. Construction was completed in 1967 and the 50 acre lake was stocked with fish by the State and opened to public fishing. User-day figures are not available at this time.

LOANS FOR WATERSHED PROTECTION WORKS OF IMPROVEMENT

Agency Participation

The following table shows the amount of funds appropriated to the Soil Conservation Service obligated for loan services in F.Y. 1973 and estimated for 1974 and 1975:

Agency	1973 Actual	1974 Estimate	1975 Estimate
Farmers Home Administration	\$443,000	\$330,000	\$333,000

Flood Prevention Projects

Current Activities: The Flood Control Acts, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a, 76 Stat. 610), provide for installation of (1) mainstream works of improvement for the control of floods, for which the Department of the Army is responsible, and (2) watershed improvement measures to prevent floods; reduce floodwater, sedimentation, and erosion damages; and further the conservation, development, utilization, and disposal of water, and the conservation and proper utilization of land for which the Department of Agriculture is responsible. The work of this Department under this item is carried on in eleven watersheds authorized by the Flood Control Act of December 22, 1944, as amended and supplemented.

To provide consistency between the Flood Prevention and the Watershed Protection programs of the Department which have similar objectives, the planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations and other policies and procedures used in the Flood Prevention program have been adjusted to generally parallel those of the Watershed Protection program.

Types of Assistance Furnished by the Department

The assistance furnished under this appropriation item consists of the following:

1. Preparation of detailed subwatershed work plans in collaboration with soil conservation districts and other local sponsoring organizations. These plans outline soil and water management problems in subwatersheds, what has been or is planned to be done to alleviate these problems, the proposed works of improvement to be installed, the estimated benefits and costs, cost-sharing and operation and maintenance arrangements, and other facts necessary to justify Federal participation in project development.
2. Technical and financial assistance to local project sponsors and individual land owners and operators in the installation of works of improvement specified in approved subwatershed work plans:
 - a. Land treatment measures: The Department furnishes land owners and operators the technical assistance needed to speed up the installation of land treatment measures to achieve required protection for structural measures constructed in subwatersheds. This supplements technical assistance available under other conservation programs.

Certain types of land treatment measures are required to be installed under this program to achieve justified off-site flood prevention benefits. Such measures provide little or no benefits, or such long-deferred benefits to the land owner that he cannot be expected to pay a substantial part of the cost of their installation on his farm. The federal government may pay part or all of the cost of installing these special measures. Measures eligible for this assistance are intensified fire prevention; stabilization of critical areas; minor gully, streambank, and grade stabilization structures; and other on-farm measures which may be used in lieu of installing downstream flood prevention structures. The Department may furnish vegetative planting and other materials to land owners for establishment of these essential measures or it may contract the required work or do it by force account.

- b. Structural measures: This work includes the installation of structural measures for flood prevention and water management such as floodwater retarding structures, stream channel improvements, stabilizing and sediment control structures, irrigation reservoirs and canals, and the storage of water in structures for various purposes. Detailed construction plans, designs and specifications are prepared for these measures by the Department. The Department usually does the contracting and bears all of the construction cost of structural measures for flood prevention.

It finances up to 50 percent of the cost of works of improvement for agricultural water management and for public fish and wildlife or recreational development. The latter includes the cost of minimum basic facilities for public health and safety and access to the area. Local organizations must pay all costs of works of improvement for other purposes. Also, local organizations generally must acquire water rights and furnish land, easements, and rights-of-way for all structural measures. However, up to one-half the cost of land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with PL-566 funds. Local organizations must operate and maintain the completed works of improvement on private lands.

In addition to loans and advances made under Section 8 of Public Law 566, 83d Congress (as amended), advances may be made to local organizations from construction funds under Section 4 of the Act to provide for immediate acquisition of land, easements, and rights-of-way to prevent encroachment by other developments, and to provide for storage for future municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid prior to the start of construction.

Engineering assistance is provided by the Department for flood prevention, agricultural water management, and for water resources improvements for public fish and wildlife and recreational purposes. The Department may also supply up to one-half the cost of engineering assistance required in connection with installation of minimum basic facilities for public fish and wildlife and recreational development.

3. Making loans to local organizations to finance the local share of the costs of installing planned works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water, including development of public fish and wildlife and recreational facilities, and municipal and industrial water supplies. Repayment with interest is required within fifty years after the principal benefits of improvements first become available. The Appropriation Acts, beginning with fiscal year 1973, provide that loans will be made from funds available in the Farmers Home Administration agricultural credit insurance fund. Funds for loan services will continue to be provided from funds appropriated under this appropriation item.

Proposed improvements by the Department are correlated with mainstream work installed by the Corps of Engineers, the Bureau of Reclamation, and others. They give needed protection to the watershed lands and property above the mainstream works. Maintenance of installed measures is the key to the long-term effectiveness of the watershed improvement programs. Land owners and operators generally maintain those land treatment measures which benefit primarily the lands upon which they are installed. Local units of government have responsibility for maintenance of structural measures for flood prevention and water management which provide primarily off-site benefits.

Program Assignments

The Soil Conservation Service has general responsibility for administration of the work of the Department of Agriculture authorized under the Flood Control Acts. The Soil Conservation Service and the Forest Service carry out the planning and installation of land treatment measures and structural works of improvement in authorized watersheds. The Forest Service is responsible for work in the national forests and other lands in authorized watersheds which they administer. It also furnishes certain specialized technical assistance on other forest lands within the watersheds. The Soil Conservation Service concerns itself with work to be done on all other private and public lands in the watersheds.

The Farmers Home Administration makes loans or advances under Section 4 and 8 of Public Law 566, 83rd Congress (as amended). No loans or advances may be made under these provisions until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement.

The Economic Research Service conducts research on evaluation procedures in response to proposals by the Soil Conservation Service.

Selected Examples of Recent Progress:

FLOOD PREVENTION WORKS OF IMPROVEMENT

Agency Participation

The following table shows the amount of funds obligated for planning and installing works of improvement in 1973 and estimated for 1974 and 1975 by agency:

	1973 Actual	1974 Estimate	1975 Estimate
Soil Conservation Service ...	\$18,848,853	\$20,879,800	\$20,998,748
Economic Research Service ...	47,437	45,800	46,200
Forest Service	3,697,237	3,845,400	4,226,000
Emergency Measures a/	<u>8,402,515</u>	<u>28,697,485</u>	<u>300,000</u>
Total	<u>30,996,042</u>	<u>53,468,485</u>	<u>25,570,948</u>

a/ Under authority of Section 216 of the Flood Control Act of 1950, not to exceed \$300,000 of the amount appropriated for Flood Prevention may be expended each fiscal year for emergency measures when a fire, flood or any other natural element or force has caused a sudden impairment of a watershed. Any balances not needed for these purposes are distributed late in the fiscal year to watersheds where the greatest need exists and where the local sponsoring organizations have provided lands, easements, and rights-of-way required for installation of additional works of improvement. This limitation on the amount of flood prevention funds that may be expended annually for emergency measures has been supplemented as follows:

1. The Supplemental Appropriation Act of 1973, approved October 31, 1972, provided \$16.5 million for installation of emergency measures, for runoff retardation and soil erosion prevention in the area damaged by Hurricane Agnes and the South Dakota floods.

The Second Supplemental Appropriation Act of 1973, approved July 1, 1973, provided an additional \$20 million to cover the cost of emergency measures caused by the floods in March 1973 in the Mississippi River Valley and adjacent areas.

These two Supplemental Appropriations provide an additional \$36.5 million for emergency work. Of this amount, \$32.8 million will be utilized by the Soil Conservation Service and \$3.7 million by the Forest Service.

Distribution of Funds for Flood Prevention by Agency and Project

The following tables show obligations in 1973 and estimates for 1974 and 1975 for each of the operating watersheds (the Buffalo Creek Watershed in New York was completed in 1964).

Flood Prevention Projects	1973 Obligations	Brought Forward from 1973	1974 Appropriation (adjusted)	Withheld from use 1974	Estimated Obligations 1974	Budget Estimate 1975	Estimated Obligations 1975
<u>SOIL CONSERVATION SERVICE</u>							
Colorado (Middle), Texas.....	1,631,259	285,073	2,062,755	148,657	2,199,171	1,528,370	1,677,027
Coosa, Georgia, Tennessee.....	268,291	143,559	369,950	- -	513,509	110,033	110,033
Little Sioux, Iowa.....	1,018,908	189,981	1,052,804	149,749	1,093,036	851,503	1,001,252
Little Tallahatchie, Mississippi..	1,127,006	330,775	793,435	298,331	825,879	854,136	1,152,467
Los Angeles, California.....	2,467	258,857	- -	258,857	- -	- -	258,857
Potomac, Maryland, Pennsylvania, Virginia, West Virginia.....	2,171,775	2,236,969	3,771,187	2,089,357	3,918,799	2,815,599	4,904,956
Santa Ynez, California.....	13,584	73,378	- -	21,118	52,260	985,992	1,007,110
Trinity, Texas.....	4,464,468	911,906	4,714,754	696,179	4,930,481	3,063,110	3,758,289
Washita, Oklahoma, Texas.....	4,277,172	701,708	3,556,753	554,077	3,704,384	2,812,898	3,364,975
Yazoo, Mississippi.....	3,873,923	939,742	3,304,162	601,623	3,642,281	3,162,159	3,763,782
Subtotal, flood prevention pro- jects, Soil Conservation Service.....	18,848,853	6,071,948	19,625,800	4,817,948	20,879,800	16,180,800	20,998,748
Emergency Measures, Soil Conserva- tion Service.....	5,834,572	27,207,428a/	200,000	- -	27,407,428a/	300,000	300,000
Total, flood prevention works of improvement, Soil Conservation Service.....	24,683,425	33,279,376	19,825,800	4,817,948	48,287,228	16,480,800	21,298,748
<u>ECONOMIC RESEARCH SERVICE</u>							
Works of improvement (evaluation studies of economic impact of project), ERS:							
Washita, Oklahoma, Texas.....	47,437	- -	45,800	- -	45,800	46,200	46,200
a/ Available from the two Supplemental Appropriation Acts of 1973.							

Subwatershed Work Plans for Flood Prevention Projects

Because of the size of the authorized flood prevention projects, work plans are developed on a subwatershed basis. As of June 30, 1973, the total planning job was about 3/4 completed, with 305 work plans completed that include 21,536,982 acres. The following table summarizes the status of subwatershed planning by authorized project:

Flood Prevention Projects	Total Authorized Area	Subwatershed and other areas with a/ planning potential		Subwatershed and other work plans prepared to 6/30/73	
	Acres	No.	Acres	No.	Acres
Buffalo Creek <u>b/</u>	279,680	3	279,680	3	279,680
Colorado (Middle).....	4,613,120	17	4,357,000	16	3,442,656
Coosa.....	1,339,400	16	1,339,400	16	1,273,158
Little Sioux.....	1,740,800	130	402,330	84	223,438
Little Tallahatchie....	963,977	18	562,876 <u>c/</u>	18	562,876
Los Angeles.....	536,960	13	301,731 <u>d/</u>	13	301,731
Potomac.....	4,205,400	26	2,943,000	14	1,202,308
Santa Ynez.....	576,000	6	368,550 <u>e/</u>	6	368,550
Trinity.....	8,424,260	40	7,085,320	28	6,348,464
Washita.....	5,095,040	60	5,095,040	56	4,691,072
Yazoo.....	3,942,197	73	3,746,379 <u>d/</u>	51	2,843,049
Total.....	31,716,834	407	26,481,306	305	21,536,982

a/ Excludes subwatersheds and other areas where the physical and economic conditions do not meet the program criteria for the use of federal funds for the installation of structural works of improvement. Other excluded areas are identified by additional footnotes.

b/ The Buffalo Creek Watershed was completed and closed in 1964.

c/ Excludes 96,501 acres of Sardis Reservoir area, and 304,600 acres in minor watersheds needing only land treatment measures.

d/ Includes National Forest and other lands, for which the Forest Service has been assigned program responsibility. Comprehensive plans for flood prevention works of improvement have been prepared for these areas.

e/ Excludes 195,818 acres of reservoir area.

Acceleration of Soil Surveys and Planning in Flood Prevention Projects

The following table shows the acres of soil surveys and the number of conservation plans prepared in the 1973 fiscal year with Flood Prevention funds and estimates for 1974 and 1975.

Item	1973 Actual	1974 Estimate	1975 Estimate
Soil surveys (acres mapped)	766,074	760,000	760,000
Conservation plans:			
Number.....	1,483	1,800	1,800
Acres.....	290,389	310,000	310,000



The photo shows a critically eroding area the first year after installation of small brush dams.



Several years later the seeded love grass and the brush dams have stabilized the gully bottom. The planted tree seedlings have begun to make good growth and will hold the site in the future.

The following table shows the acres surveyed and conservation plans prepared cumulative through June 30, 1973, with both Flood Prevention and other SCS funds in the authorized flood prevention watersheds:

Item	Flood Prevention Funds	Other SCS Funds	Grand Total
Soil surveys (acres mapped) ...	10,538,499	12,267,796	22,806,295
Total number cooperators	- - *	- - *	89,457
Conservation plans:			
Number	40,585	40,034	80,619
Acres	8,457,039	10,065,015	18,522,054

*Not available by fund

Works of Improvement Installed in Flood Prevention Projects

The following tables show the works of improvement installed in the 10 active authorized flood prevention watersheds during fiscal year 1973, and total on the land as of June 30, 1973, with assistance provided under all programs by the Soil Conservation Service and the Forest Service:

SOIL CONSERVATION SERVICE

Item	Unit	Installed in 1973		Estimated Total Measures on Land as of 6/30/73
		With Assistance Under		
		Flood Prevention	Other Programs	
<u>Structural Measures:</u>				
Dam, Multiple-purpose	No.	1	- -	68
Dam, Multiple-purpose	Ac.Ft.	10	- -	408,000
Debris Basin	No.	210	91	14,000
Dike	Miles	2	2	135
Floodwater Retarding structures	No.	40	- -	2,770
Floodwater Retarding structures	Ac.Ft.	32,468	- -	1,925,000
Floodway	Feet	- -	- -	113,000
Grade Stabilization Structures	No.	281	301	12,000
Open Channel	Miles	54	10	1,240
Stream Channel Stabilization	Miles	5	- -	22
<u>Land Treatment Measures:</u>				
Access Road	Miles	66	22	670
Bedding	Acres	235	- -	600
Brush Control	Acres	103,122	88,781	3,375,000
Chiseling and Subsoiling	Acres	9,130	34,482	340,000
Clearing and Snagging	Miles	76	6	460
Commercial Fish Ponds	Acres	- -	112	1,600
Conservation Cropping System	Acres	446,285	549,312	5,250,000
Contour Farming	Acres	186,183	211,238	2,400,000
Critical Area Planting	Acres	16,834	11,082	823,000
Crop Residue Management	Acres	460,131	533,251	5,900,000
Deferred Grazing	Acres	228,455	245,342	2,360,000
Disposal Lagoon	No.	- -	19	85
Diversion	Miles	26	66	8,500
Drain	Miles	27	46	2,100
Drainage Field Ditch	Miles	15	67	3,050
Drainage Land Grading	Acres	90	2,773	8,000
Drainage Main or Lateral	Miles	11	59	5,060
Farmstead and Feedlot Windbreak	Acres	94	50	21,000
Fencing	Miles	80	109	28,000
Field Border	Miles	6	7	1,000

Item	Unit	Installed in 1973		Estimated Total Measures on Land as of 6/30/73
		With Assistance Under		
		Flood Prevention	Other Programs	
<u>Land Treatment Measures (cont'd):</u>				
Field Windbreak	Miles	1	1	40
Firebreak	Miles	149	48	825
Fishpond Management	No.	1,309	1,560	42,000
Fish Stream Improvement	Feet	1,335	1,100	9,600
Floodwater Diversion	Feet	21,321	- -	250,000
Grassed Waterway or Outlet	Acres	199	372	87,000
Grazing Land Mechanical Treat- ment	Acres	- -	20	5,000
Heavy Use Area Protection	Acres	154	34	3,200
Hedgerow Planting	Miles	- -	3	90
Holding Ponds and Tanks	No.	6	28	70
Irrigation Canal or Lateral	Miles	- -	- -	40
Irrigation Ditch and Canal Lining	Miles	- -	1	85
Irrigation Field Ditch	Miles	1	- -	70
Irrigation Land Leveling	Acres	111	784	33,000
Irrigation Pipeline	Miles	- -	1	45
Irrigation Pit or Regulating Reservoir	No.	- -	- -	25
Irrigation Storage Reservoir	No.	1	1	60
Irrigation Storage Reservoir	Ac.Ft.	- -	50	1,000
Irrigation System, Sprinkler	No.	2	6	1,200
Irrigation System, Sprinkler	Acres	142	536	75,000
Irrigation System, Surface and Subsurface	No.	- -	- -	470
Irrigation System, Surface and Subsurface	Acres	- -	- -	31,000
Irrigation System, Tailwater Recovery	No.	- -	- -	2
Irrigation Water Management	Acres	8,495	18,186	123,000
Land Smoothing	Acres	1,153	4,446	99,000
Livestock Exclusion	Acres	3,737	2,622	347,000
Minimum Tillage	Acres	11,016	13,777	352,000
Mulching	Acres	463	80	4,600
Pasture & Hayland Planting	Acres	95,589	99,344	3,600,000
Pasture & Hayland Management	Acres	347,234	312,576	4,022,000
Pipeline	Miles	3	16	340
Planned Grazing Systems	Acres	58,513	48,920	535,000
Pond	No.	139	1,766	108,000
Prescribed Burning	Acres	- -	- -	4,600
Proper Grazing Use	Acres	719,493	846,051	5,600,000
Pumping Plant for Water Control	No.	- -	- -	275
Range Seeding	Acres	2,531	8,857	763,000
Recreation Area Improvement	Acres	445	689	15,000
Recreation Land Grading & Shaping	Acres	101	45	2,700
Recreation Trail & Walkway	Miles	1	4	102
Spring Development	No.	8	13	1,000
Streambank Protection	Miles	74	7	1,600
Stripcropping	Acres	132	812	61,000
Structure for Water Control	No.	- -	61	3,100
Terrace, Basin	Miles	3	8	1,150
Terrace, Gradient	Miles	3	147	47,000
Terrace, Level	Miles	11	48	14,700
Terrace, Parallel	Miles	63	198	3,200
(Total, Terraces)	Miles	(80)	(401)	(66,050)
Toxic Salt Reduction	Acres	210	- -	300
Tree Planting	Acres	4,378	11,195	587,000

Item	Unit	Installed in 1973 With Assistance Under		Estimated Total Measures on Land as of 6/30/73
		Flood	Other	
		Prevention	Programs	
<u>Land Treatment Measures (cont'd):</u>				
Trough or Tank	No.	44	143	10,000
Waterspreading	Acres	34	- -	3,600
Well	No.	8	97	6,500
Wildlife Upland Habitat Mgt.	Acres	134,708	188,023	1,580,000
Wildlife Wetland Habitat Mgt.	Acres	2,223	5,838	46,000
Wildlife Watering Facility	No.	13	10	270
Woodland Direct Seeding	Acres	- -	55	3,500
Woodland Improvement Harvesting	Acres	14,359	10,625	410,000
Woodland Improvement	Acres	1,494	7,540	440,000
Woodland Pruning	Acres	19	- -	800
Woodland Site Preparation	Acres	707	1,691	97,000
Land Adequately Treated	Acres	354,183	527,038	- -
Land Adequately Protected	Acres	- -	- -	17,850,000

Forest Service

Protection, management and improvement of forest and related land resources are a vital part of 9 of the 11 projects originally authorized by the Flood Control Act of 1944. Over 7.2 million acres of forest land are involved. Progress in sediment reducing measures such as tree planting, fire prevention and control, stabilization of forest roads and revegetation of roadbanks received special emphasis.

Major accomplishments achieved during and through Fiscal Year 1973 are shown in the following table.

Item	Unit	Installed in 1973 (all funds)	Estimated Total practices on land as of 6/30/73
<u>STRUCTURAL MEASURES:</u>			
Access Road Construction	Miles	- -	42.7
Channel Improvement	Miles	1	12.6
Channel Stabilization	Miles	1.5	61.1
Diversion Ditches	Lin. Ft.	- -	4,558
Floodwater Retarding Structures	No.	1	2
Grade Stabilization Structures	No.	148	895
Streambank Stabilization	Miles	- -	9.9

LAND TREATMENT MEASURES:

Critical Area Stabilization by			
Tree Planting & Other Measures	Acres	271	279,651
Forest Road and Roadbank			
Stabilization	Miles	90	1,574
Area Treated	Acres	578	16,251
Forest Watershed Management Plans	No.	- -	- -
Area Included	Acres	48,224	1,190,501
Firebreaks and Fuelbreaks	Miles	40.4	3,050
Fire Roads and Trails	Miles	8.7	364
Fire Hazard Reduction	Acres	25	1,017
Fire Water Developments	No.	- -	159
Fire Towers	No.	- -	46
Heliports and Helispots	No.	- -	445
Mobile Equipment	No.	- -	116
Other Fire Improvements	No.	- -	175
Permanent Radio Installations	No.	- -	311
Proper Harvest Cutting	Acres	6,336	309,245

Item	Unit	Installed in 1973 (all funds)	Estimated Total practices on land as of 6/30/73
<u>LAND TREATMENT MEASURES (cont'd):</u>			
Forest Stand Improvement	Acres	4,457	651,851
Tree Planting and Seeding	Acres	6,912	432,480
Woodland Thinning and Release	Acres	9,214	410,884
Revegetation, Surface Mined Areas	Acres	341	4,957
Woodland Grazing Control	Acres	1,781	175,828
Woodland Owners Assisted	No.	3,647	49,942

Progress in Individual Flood Prevention Projects

A description of the flood prevention and conservation work being accomplished in each of the 11 authorized flood prevention watersheds follows. The estimated Federal costs for each watershed reflects the 1970 prices, as adjusted to reflect installation of fish and wildlife and recreational developments and future water supplies under provisions of recent amendments to the Watershed Protection and Flood Prevention Act (76 Stat. 608-610).

Buffalo Creek Watershed, New York

Total Federal cost (Project completed in 1964) \$4,615,182

The Buffalo Creek project was authorized for operation December 22, 1944, and was completed in Fiscal Year 1964. It is the first of the 11 authorized Flood Prevention projects to be completed. It covers 279,680 acres in Erie and Wyoming Counties, including 13,440 acres within the City of Buffalo. The completed project has reduced siltation in the Buffalo River portion of Buffalo Harbor.

Middle Colorado River Watershed, Texas

Estimated total Federal cost \$47,575,000
Total obligations through June 30, 1973 31,410,280

The Middle Colorado River Project includes about 4,613,000 acres of the middle section of the Colorado River Watershed in Texas. Principal problems in the watershed are floodwater and sediment damages to agricultural and non-agricultural properties. Work plans have been developed for 16 of the 18 subwatershed areas in the project.

Of the 5,861 operating units in the Middle Colorado, there are 4,568 that are cooperators with local conservation districts. As of June 30, 1973, 4,525 of these had conservation plans covering 3.2 million acres. Land treatment measures applied include approximately 2,900,000 acres of proper grazing use, 1,450,000 acres of brush control, 61,750,000 feet of terraces, and 820,000 acres of conservation cropping systems. Approximately 3,200,000 acres are now adequately treated.

In all the subwatersheds, 925 easements and rights-of-way have been obtained at an estimated value of \$5,571,000. These easements were obtained by supervisors of the local soil and water conservation districts, county commissioners, directors of water control and improvement districts, and individuals.

Construction has been completed 251 floodwater retarding structures and 2 miles of channel work. These project measures have been effective in preventing

floods and reducing damages to roads and bridges. High intensity rainstorms occurred in four of the subwatersheds. There was no emergency spillway flow. There was no severe flooding as a result of these high intensity rains. The rainstorm on Brady Creek was estimated to be equal to the 1938 storm which did much damage to the City of Brady. Local authorities in Coleman County estimate that \$150,000 in property damage was prevented by the structures. Recreation development on the multi-purpose structures at Brady and Clyde Lakes continues with construction of lake homes, trailer-parking areas, restaurants, swimming, fishing, and other public recreation facilities. Private recreational development is being accelerated at a rapid pace with most of the structures being stocked with fish. 650 acres of land are being irrigated with water from structures in the watershed. Wildlife population (deer, turkey, and waterfowl) is increasing in areas adjacent to the structures and within the fenced area of structures. Rare and endangered species have been sighted within the fenced area of structures.

Coosa River Watershed, Georgia and Tennessee

Estimated total Federal cost	\$17,147,000
Total obligations through June 30, 1973	15,309,415

The Coosa River Project includes approximately 1,339,400 acres. About 87 percent of the watershed area is privately owned, and 130,350 acres are in National Forest land. Principal problems in the watershed area are erosion, floodwater, and sediment damage to agricultural lands and county roads.

There are about 6,950 landowners in the project of which 5,159 were district cooperators and 4,982 had developed conservation plans for their holdings as of June 30, 1973. More than 97 percent of planned land treatment measures have been applied. Structural measures are about 90 percent complete with 117 of 143 planned floodwater retarding structures installed. All planned work in nine of the 16 subwatersheds in this project has been completed and turned over to sponsors for operation and maintenance. Erosion has been controlled on 914 miles of roadbanks. Work is nearly completed in seven more subwatersheds.

Technical assistance for installing forestry measures on privately-owned land is provided by the Forest Service in cooperation with and through the Georgia Forestry Commission. Forestry technical assistance has been provided to over 700 landowners.

Accomplishments by the Forest Service on the National Forest to June 30, 1973, include 1,612 acres of tree planting, 19,688 acres of hydrologic stand improvement, 617 acres of roadside erosion control, 591 acres of forest road and trail erosion control, 469 acres of critical area stabilization and 16 miles of streambank stabilization.

During the month of May 1973, over 10 inches of rainfall was recorded in the Ellijay River Subwatersheds. Approximately 4.5 inches fell during a three-hour period on May 27, 1973. Mr. Grady Watkins, a prominent retired businessman stated, "There's a 24-inch pipe under my driveway that could not carry the water. I have lived here for thirty years and I have never seen that pipe more than half full. I'm sure if it hadn't been for those flood control dams, half of Ellijay would have washed away."

Little Sioux River Watershed, Iowa

Estimated total Federal costs	\$46,834,000
Total obligations through June 30, 1973	23,890,934

The Little Sioux River Project covers an area 135 miles long and 50 miles wide at its greatest width. It extends from Southwest Minnesota to its confluence with the Missouri River, midway between Sioux City and Omaha. The watershed includes

2,880,000 acres of which 1,740,800 are authorized for assistance under the flood prevention program. Soils of this area are generally of loessal origin. These wind-blown materials are commonly found in depths of 25 to 50 feet and frequently 100 feet or more.

Both sheet and gully erosion are severe problems, especially in the southern half of the authorized area. Gullies of 20 to 40 feet in depth are common. Some of the most productive areas of many uplands are being destroyed by gully erosion and crops in the 200,000 acres flood plain at the lower extremities of the watershed are frequently damaged by flooding.

Twelve soil conservation districts are represented on the Little Sioux Works Committee which provides overall guidance for execution of the program and establishes priorities for assistance. Eighty-four subwatershed work plans covering 224,632 acres had been prepared and approved as of June 30, 1973. All planned work has been completed in 81 of these subwatersheds.

Of the 8,400 farmers in the watershed, 5,257 operating 1,041,000 acres, were cooperating with their local soil conservation districts and 4,080 had developed conservation plans as of June 30, 1973. Some of the land treatment measures applied include 376,000 acres of contour farming, 462 erosion control structures, 4,966 miles of terraces and 9,012 acres of waterways. Structural measures installed as of June 30, 1973, include 639 grade stabilization structures, 72.2 miles of channel work, 17.6 miles of dikes and 1,063 miles of detention terraces.

Forestry measures are installed through the Iowa Department of Conservation in cooperation with the Forest Service. Measures applied as of June 30, 1973, include 245 acres of tree planting, 294 acres of windbreaks, and 1,808 acres of forest protected from livestock. Owners given technical forestry assistance numbered 1,341 with 64 management plans prepared covering 4,545 acres.

The effectiveness of flood prevention measures installed in the Little Sioux River project has been demonstrated many times in the past few years. An approximate 7" rain in 6 hours occurred on the Wenger Subwatershed in southeast part of Woodbury County on the night of June 12, 1972. This storm produced about 5" rain in the general area of Oto in Woodbury County on the Willow Creek and Little River Subwatersheds. No significant damage occurred in any of the subwatersheds.

Little Tallahatchie River Watershed, Mississippi

Estimated total Federal cost	\$28,998,000
Total obligations through June 30, 1973	26,506,268

The Little Tallahatchie River Project includes 963,977 acres in North Central Mississippi. About 80 percent of the area is privately owned, 10 percent is in National Forest and 10 percent is in the Sardis Reservoir, which was constructed by the Corps of Engineers. Principal problems in the watershed are floodwater and sediment damage to agricultural lands. Eighteen subwatershed work plans covering 562,876 acres had been prepared as of June 30, 1973.

Of the 6,631 farmers in the watershed, 5,629 were district cooperators and 4,352 had developed conservation plans for their lands as of June 30, 1973. Good progress continues in the installation of land treatment measures. About 80 percent of the planned treatment measures has been applied. Major accomplishments to date include 178,700 acres of critical area treatment, 4,055 debris basins, 4,519,000 feet of drainage ditches, 4,850 farm ponds, 2,319,000 feet of diversion ditches and 129,800 acres of pasture planting.

Eighty-five of the 102 floodwater retarding structures planned have been constructed. One multi-purpose structure for recreation, 1,319,957 linear feet of stream

channel improvement, 813 grade stabilization structures, and 1,484,338 feet of streambank protection have been installed. One hundred and forty-nine miles of major channel are complete.

Forestry measures are provided by the Forest Service. This project is conducted concurrently with the Yazoo River Watershed Project. Regular programs of other agricultural and forestry agencies have contributed to the flood prevention effort.

To date, over 212,600 acres have been planted to trees to stabilize critically erodible areas. Ninety percent of this is on private lands; 10 percent is on National Forest System lands. In Fiscal Year 1973, 4,690 acres were planted with more than four million trees. More than 2,690 additional acres were improved through forest management practices. Altogether, 700 individuals received direct management services or recommendations on 21,000 acres.

Forest industries now utilize the great timber resource created when these lands were rehabilitated. Maintaining the degree of protection to water, soil and the environment will require a sustained planting rate and increased management and improvement assistance.

The continuation of the watershed program offers employment and training opportunities each year. The project's work force was supplemented by local planting crews in an area of underemployment.

Recent sediment surveys on the U. S. Corps of Engineers reservoir attest to the success of the land treatment program in the flood prevention project area. The reduction of sediment due to conservation work is expected to prolong the useful life of the flood control reservoir to an estimated 800 years.

The completion of the Greasy Creek subwatershed project (15,802 acres) consisting largely of 14 floodwater and sediment structures and treatment of about 4,000 acres of critical sediment-producing areas, has resulted in eliminating \$40,000 damages that normally occurred each year.

The completion of recreation development (260 acre lake in National Forest) is affording opportunities for several thousand people in Marshall, Benton, and Union Counties to enjoy this recreation project. This is a multi-purpose structure in the Tippah River project.

Los Angeles River Watershed, California

Estimated total Federal cost	\$67,760,000
Total obligations through June 30, 1973	35,373,797

The Los Angeles River Project covers 536,960 acres of which 73 percent is privately owned and 27 percent is federal land in the Angeles National Forest. The Department is cooperating with the Los Angeles County Flood Control District in the development of this project. Flood prevention works of improvement being installed supplement improvements being made by the Corps of Engineers on principal river channels. This watershed is characterized by high intensity rainstorms of short duration. Erosion in the watershed is severe during peak run-off and sediment is deposited on the relatively flat valley floor during flood flows. Channel capacity from steep canyons to the Los Angeles River is inadequate for normal winter run-off in most instances.

Because of rapid urban development in San Fernando Valley, practically all of the land treatment work on private land today consists of street drainage and storm drains planned and constructed entirely by local agencies.

About 96% of planned structural measures are complete in the ten active subwatersheds. Work completed as of June 30, 1973, includes about 37 miles of open channel improvement, 31 miles of streambank protection, over nine miles of stream channel stabilization, 234 grade stabilization structures, and two debris basins. Improvement of the fifth and final unit of Bull Creek was completed in fiscal year 1972 under a construction contract awarded and administered by the Sponsors. This improvement involved construction of 1.02 miles of reinforced concrete box conduit and appurtenant work. Construction of this fifth unit of Bull Creek completes the Soil Conservation Service work on the Los Angeles River Flood Prevention Project.

Project activities by the Forest Service continued on National Forest lands and, in cooperation with the Los Angeles County and Los Angeles City fire departments, for the non-federal lands.

Accomplishment by the Forest Service in Fiscal Year 1973 included 1.1 miles of channel stabilization and 8 grade stabilization structures. Land treatment included 39 acres of critical area treatment and stabilization of 48 miles of roads. Over 26 miles of fire roads and firebreaks and 25 acres of fire hazard reduction helped keep fire losses to a minimum. Thirty-nine acres of critically eroding area was stabilized by vegetative planting. Over 33,000 trees and shrubs were planted.

This year a total of 840 acres burned inside the watershed. This was less than half the 44 year average of about 1,875 acres per year.

Storms to date, subsequent to completion of the various subwatershed waterway improvements, have served to prove the adequacy and effectiveness of the measures installed. Completed improvements have functioned as intended and adequately handled substantial flood discharges although not all works have been subjected to maximum design flows. Flood flows that formerly over-topped natural channels and caused considerable water and deposition damage to agriculture and urban development are now being safely carried to the Los Angeles River and various flood control basins through channel works of improvement constructed under the program. All completed improvements have functioned satisfactorily and there has been no damage during the past season to any of the works installed under the program.

Potomac River Watershed, Md., Pa., Va., W. Va.

Estimated total Federal cost	\$42,528,000
Total obligations through June 30, 1973	34,022,380

The authorized Potomac River Project includes 4,205,400 acres in Maryland, Pennsylvania, Virginia and West Virginia. Subwatershed planning has been confined mainly to the tributaries of the upper Potomac River in Virginia and West Virginia. The principal problems are flooding and sedimentation of agricultural lands, and floodwater damage to towns, highways and bridges.

As of June 30, 1973, fourteen subwatershed work plans covering 1,202,308 acres had been approved. All work had been completed in three of these - the Tumbling Run and The Gap Run subwatersheds in Virginia, and the Warm Springs Run subwatershed in West Virginia. Installation work was continuing in the Dry Run, Lower North River, Upper North River, South River, and Stony Creek subwatersheds in Virginia, and the Lunice Creek, New Creek - White's Run, South Fork, Patterson Creek and South Branch subwatersheds in West Virginia. Good progress is being made in obtaining easements and rights-of-way.

The installation of structural measures and land treatment is progressing well. A total of 83 floodwater retarding and 7 multipurpose structures have been installed and 3 others are under construction. In four of the active subwatersheds, the originally planned land treatment practices have been applied. In three of these four subwatersheds, the land treatment accomplishments have exceeded the original plans.

The Forest Service cooperating with the four States and their Divisions of Forestry installed land treatment on private forest lands. Additional land treatment was installed by the Forest Service on National Forests in Virginia and West Virginia.

Accomplishment on State and private forest lands in Fiscal Year 1973 included 621 acres of critical area and roadside stabilization. This included 35 miles of roads treated.

Watershed protection plans were prepared for over 225 individuals who own over 7,500 acres. Altogether, more than a thousand persons received management assistance or recommendations. Tree planting and seeding were accomplished on 2,704 acres, bringing the total as of June 30, 1973, to 26,950 acres including 1,800 acres of strip mined areas. 9,540 acres received forest management improvement through thinnings or proper harvesting, bringing the total to 74,522 acres to date. Controlled grazing of livestock increased 660 acres to a total 60,540 acres.

Total accomplishment to date on National Forest includes 32 miles of streambank stabilization, 3,100 acres of critical area treatment, and stabilization of 177 miles of roads. There are 2,865 acres of trees planted and 10,333 acres of stand improvement.

Flood damages have been reduced significantly throughout the South River subwatershed. In one flood alone, damages were reduced by \$2.5 million. Flood plain landowners have been able to change land use to more economical farming operations. Additional savings were realized from reduced bridge construction costs and from the elimination of flood prevention emergency measures. The sediment pools of three lakes have been developed for recreational purposes. The use of these areas has increased each year and new facilities are being added annually to meet demands. The South River area was set up as a sanitary district to furnish water to rural areas. Water supply in Site 10A on Back Creek made possible the industrial growth taking place in the watershed. In addition, 1,500 building permits have been issued in the water service area for residential development.

Santa Ynez River Watershed, California

Estimated total Federal cost	\$14,588,000
Total obligations through June 30, 1973	9,505,000

The Santa Ynez Project covers 576,000 acres, of which about 10 percent is in the westerly portion of the basin where the Soil Conservation Service has completed installing works of improvement. In all, 98 stabilizing structures, 7 silt and debris basins, 3.8 miles of channel stabilization, eleven miles of diversion construction, and eleven miles of floodways were installed.

Forest Service activities include protection and improvements to the mountainous western portion of this watershed.

Accomplishment in fiscal year 1973 included an equivalent of 4.0 miles of fuelbreak construction which involved 650 acres of brush control, clearing, and seeding. Other improvements include construction and improvement of 8.7 miles of access road and trails. Fires were confined to 50 acres in 7 separate burns.

Cumulative accomplishments as of June 30, 1973, include 1 lookout tower, 78.2 miles of fuelbreaks, 4 miles of fire lanes, 23 helispots, 2 safety zones, 22 water developments, 79 miles of trails, 5 truck-tractor transport units, 21 buildings for fire crews and equipment, 29.1 miles of telephone lines and 47.1 miles of access road.

Trinity River Watershed, Texas

Estimated total Federal cost	\$126,475,000
Total obligations through June 30, 1973	81,591,651

The authorized area of the Trinity River Project consists of the upper 8,424,260 acres of the Trinity River Watershed. Principal problems are floodwater and sediment damage to agricultural lands, practically all of which are privately owned. To date, work plans have been developed on 28 subwatersheds covering an area of approximately 6,348,464 acres.

More than 75 percent of the planned land treatment measures had been applied as of June 30, 1973. Of the 36,696 operating units in the watershed 24,458 were cooperators with the local conservation districts, and 24,285 had developed conservation plans. Major accomplishments to date in applying land treatment measures include 22,000 miles of terraces, 1,700,000 acres of pasture and hayland management, and 1,675,000 acres of proper grazing use.

A total of 776 floodwater retarding structures has been installed and 22 are under construction. Approximately 60.2 miles of stream channel work has been completed and construction is underway on 19.4 miles. Twenty-six floodwater retarding structures and a number of stabilization structures are scheduled for construction during the 1974 fiscal year.

The Forest Service has continued its participation in the planning of structural and land treatment measures for those lands in the project which fall within the National Grasslands.

Accomplishments during fiscal year 1973 included 73 acres of critical area stabilization, 5 acres of roadside erosion control, 24 grade stabilization structures, and 8 miles of fence for grazing control.

One of many examples of the success of the projects is Waxahachie Creek. This subwatershed stream flows through Waxahachie, had minor flooding in the spring of 1973 following an 8-inch, 24 hour rain. Before the 17 sites were constructed on Waxahachie Creek, a 2-4 inch rain caused damaging flooding to city, personal and county property. Approximately 5,000 acres of eroded hill-land have been changed from cropland to pasture or wildlife land. The row crops being grown on eroding hill-land have now been moved to non-eroding and non-flooding bottom-lands.

Waxahachie City Manager Ed Seegmiller said, "It's fantastic the protection we get from the SCS work of flood control program on Waxahachie Creek."

Fish and wildlife have greatly increased in the area because of the upstream flood control structures. Chambers and Waxahachie Creeks used to be flood-flow creeks only. These creeks presently run for days allowing fish to come upstream and give fishing over this area. The lakes are all good fish habitat areas, except for 3 which do not hold water because of porous soils. Fishing used to come from a few livestock tanks, but now there are miles of creek fish and 39 flood control structures. Wildlife has greatly increased because of the habitat development for them. Quail have better range and nesting places. Ducks and geese have more water and food supply. Beavers are now in this country and 20 years ago there were none.

Washita River Watershed, Oklahoma and Texas

Estimated total Federal cost	\$95,484,000
Total obligations through June 30, 1973	86,605,676

The authorized area of the Washita River Flood Prevention Project covers 5,095,040 acres. About 94 percent of the authorized area is in Oklahoma and 6 percent is in Texas. The problems include upland erosion and floodwater and sediment damages on

265,000 acres of bottomland and a need for municipal, recreational and irrigation water supplies. There are 112,000 acres along the main stem of the Washita needing protection. Fifty-six subwatershed work plans covering 4,691,072 acres had been prepared and approved as of June 30, 1973.

Basic plans have been developed on approximately 84% of the privately owned land in the Washita River Watershed, and the Bureau of Indian Affairs has agreements for proper use and treatment of the Indian lands. Emphasis continues on providing basic conservation plans for all land within a treated watershed. Good progress has been made in application of land treatment measures which will protect the watershed areas and reduce sediment yields. Approximately 62 percent of the land is considered "adequately treated." Plans are being completed to use Flood Prevention funds for cost sharing in the installation of critical area treatment.

Fiscal year 1973 marks the 23rd year of construction of structural measures. A total of 964 floodwater retarding structures, 19 multipurpose structures including recreation, municipal water supply and fish and wildlife, and 46.6 miles of channel work have been contracted or constructed in the Washita River Watershed. Eighty-two percent of the planned floodwater retarding structures have been contracted or constructed. All structures and most of the land treatment measures in the Texas portion of the watershed have been completed.

The Forest Service is participating in the planning of flood prevention measures for National Grasslands and private forest lands of this project area. Accomplishments on the National Grasslands for fiscal year 1973 include 15 acres of terrace stabilization, 1 diversion structure, 2 grade stabilization structures and 20 acres of revegetation.

The implementation of the total flood prevention program has had a positive impact on the area encompassed by the Washita River Basin. Multiple-purpose structures have not only provided protection from floods but also have afforded municipal, industrial, irrigation and recreational water supplies as well. Nine towns are provided municipal and recreation water. These rural-urban centers have a combined population in excess of 70,000 people. Duncan, Oklahoma, boasts of an abundance of water from three multiple-purpose structures on Wildhorse Creek. These structures provide water for two industries plus its urban needs.

Areas of the Washita River flood plain that once were used intensively but were shifted to low value crops because of the flood hazard are being reclaimed. In Reach I there are 10,000 acres restored to former productivity. This process is currently taking place in the other reaches of the Washita. With the reduction in flooding hazard, channel widening and bank cutting are reduced. The land thus preserved is in production and helps maintain the tax base. In Reach III alone annual benefits from reducing the loss of productive land exceeds \$48,000.

Yazoo River Watershed, Mississippi

Estimated total Federal cost	\$96,383,000
Total obligations through June 30, 1973	72,847,369

The authorized area of the Yazoo River Project includes 3,942,197 acres of which 227,975 are publicly owned. The principal problems are floodwater and sediment damages to agricultural lands. About 39 percent of the watershed is in woodland, 25 percent is in cropland, 14 percent in pasture, and 22 percent miscellaneous uses, idle, and reservoirs. The entire watershed is covered by 16 soil conservation districts. As of June 30, 1973, fifty-one subwatershed work plans covering 2,843,049 acres had been prepared and approved.

Of the 21,177 land owners and operators in the watershed, 18,100 were cooperating in their soil conservation district programs, and 15,182 had developed conservation plans covering 2,691,000 acres as of June 30, 1973. The major land treatment measures installed include 530,911 acres of critical area treatment, 9,652 debris basins, construction of 1,461 miles of diversions, 18,824 farm ponds, construction of 7,107 grade stabilization structures, 402,599 acres of pasture and hayland planting, and construction of 2,548 miles of drainage field ditches.

The Forest Services assists with the forestry measures in the Yazoo River Watershed project. Work of other agencies and industries has contributed to the accomplishments.

In Fiscal Year 1972, 16,675 acres of trees were planted in treating critical areas and for the rehabilitation of areas having highly erosive soils. The total area now planted in the Yazoo exceeds 463,000 acres of which nearly 15,000 acres are in National Forest. Other accomplishment this year includes 18,400 acres of management and improvement assistance, management plans for 261 individuals covering 30,548 acres, and technical assistance or recommendations to more than 1,800 persons.

Since the start of the project, management assistance has been provided for 546,200 acres involving 9,720 requests. Forestry phases have been included in 6,490 conservation farm plans for 531,206 acres. Various stand improvement measures have been applied to cover 368,380 acres and 49,797 acres of private forest land have been protected from grazing.

On National Forest System lands within the project area, stand improvement measures have been applied to over 24,900 acres. A total area of 14,424 acres has been planted to trees on the National Forest.

Much of the forestry measures were installed by local labor providing employment in areas where underemployment is a serious problem. Local contracting of certain improvement work also assisted the economy and permitted work to be carried out more economically.

Reduction of fire damages through innovative efforts in the problem counties resulted in an overall 11-percent decrease with a remarkable 74-percent reduction in one of the more difficult counties.

Increased efforts were made to provide management and improvement assistance. This assisted the landowner in providing industrial wood requirements from the plantations using recommended practices and techniques for obtaining them. This will help protect the watershed value of the established plantations.

Emergency Measures

Under authority of Section 216 of the Flood Control Act of 1950, the Soil Conservation Service in cooperation with the Forest Service provided for emergency work during fiscal year 1973 in Maryland, New York, North Carolina, Pennsylvania, South Dakota, Tennessee, Virginia, and West Virginia.

A total of \$8,279,000 of the \$16.5 million of Hurricane Agnes and Black Hills South Dakota supplemental appropriation was committed. This represents funds obligated by both the Soil Conservation Service and the Forest Service. The \$300,000 normally appropriated for emergency watershed protection was also allocated to the states suffering damages from the same floods.

Pennsylvania had installed 45 miles of stream restoration and 24 miles of stabilization of exposed critically eroding streambanks.

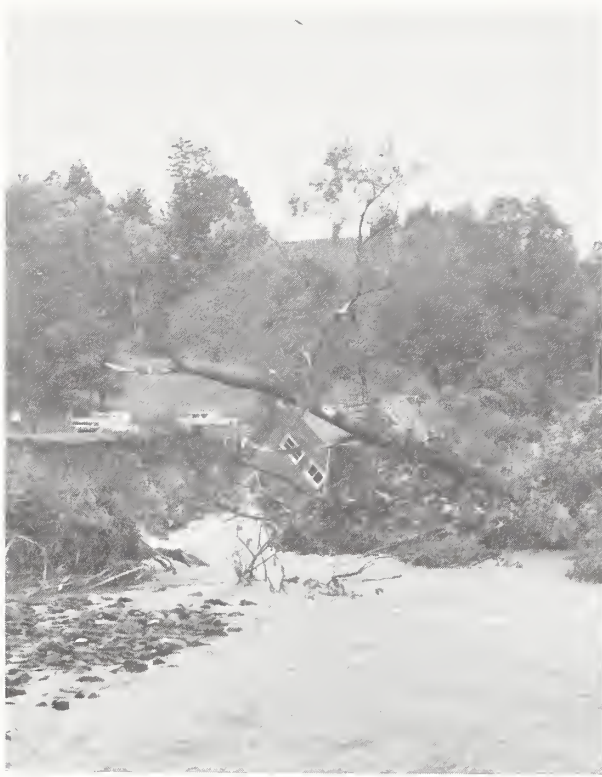
In New York, 106 miles of stream restoration was accomplished. Streambank stabilization had been completed on 99 miles. Critical area planting and establishment of vegetative cover was made on 179 acres of exposed lands and 300 feet of dike restoration was finished.

Channel restoration on 55 miles of channel was completed in Virginia. Seven miles of streambank stabilization was protected from critical erosion. Twenty-seven water resource structures had repairs to damaged spillways.

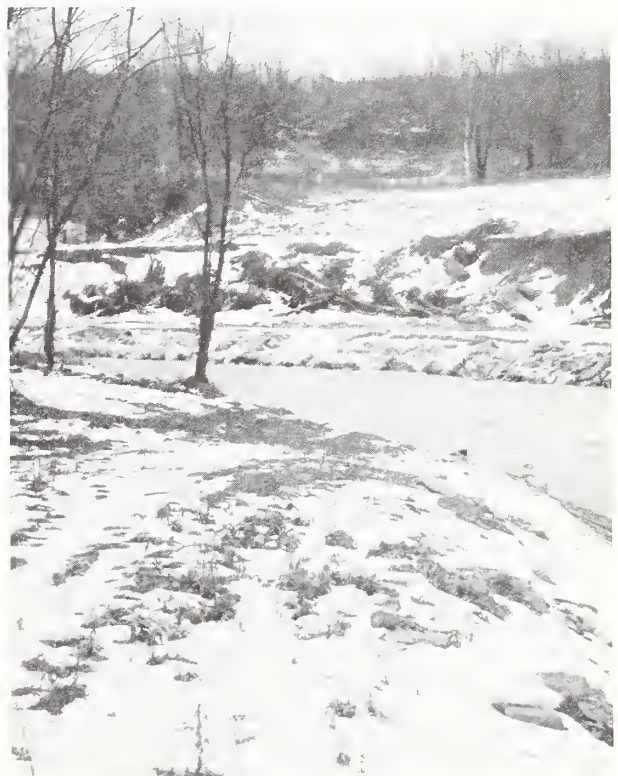


These pictures taken in Missouri are typical of some of the damage caused by the disastrous storms and flooding in the Mississippi Valley in March of 1973. Over wide areas severe erosion was caused by fast moving flood waters. Vast areas of valuable land were covered with debris as flood waters receded. Emergency measure funds are being used to reduce the threat of further damage or loss of life by subsequent storms.





Emergency measure funds are used to remove debris, such as shown above, to restore the capacity of stream channels to carry flood water. Such emergency measures are needed to reduce the threat of further damage or loss of life. Pictured below are the same areas after completion of emergency work.



There were 52 miles of debris and sediment removal from Maryland streams. Also, 1,007 acres of critical area planting was completed.

In South Dakota, 53 miles of channel sediment and debris accumulation was removed. In addition, 42 miles of streambank was stabilized and 876 acres of critical area planting installed to prevent further flood and sedimentation damage in the Black Hills flood area.

During the spring of 1973, the Mississippi Valley received damaging storms which, coupled with the high snow melt runoff, produced the need for emergency measures in Alabama, Arkansas, Georgia, Illinois, Kentucky, Louisiana, Mississippi, Missouri, North Carolina and Tennessee. In July, Congress provided a \$20 million appropriation to carry out this work. Necessary preliminary surveys and organization have been carried out, and most of the work will be completed in fiscal year 1974.

PROGRESS IN BASIC DATA COLLECTION

The Southern Forest Experiment Station projects located at Oxford, Mississippi, within the watersheds of the Yazoo and Little Tallahatchie Rivers continue their work on the study and development of techniques for managing these erosive forest watersheds. The coordinated work of project personnel with the Experiment Station staff make immediate interpretation and application of findings possible. Collection of data by project personnel with analysis and interpretation by the Station staff continues to build a fund of information, making more effective the expenditures on project treatments.

LOANS FOR FLOOD PREVENTION PROJECTS

Agency Participation

The following table shows the amount of funds appropriated to the Soil Conservation Service obligated for loan services in F.Y. 1973 and estimated for 1974 and 1975:

Agency	1973 Actual	1974 Estimate	1975 Estimate
Farmers Home Administration	\$198,672	\$182,000	\$183,000

STATUS OF WATERSHED PROTECTION AND FLOOD PREVENTION LOAN PROGRAMS

Under sections 4 and 8 of Public Law 566, 83rd Congress, as amended, loans are authorized to be made to local organizations for financing the local share of the cost of installing planned works of improvement in approved watershed projects and in the authorized flood prevention watersheds. Loans may also be made for organizational expenses and legal costs. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of projects. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement, and in the case of PL-566 watershed projects, the project must be approved for operations. Public Law 92-419, approved August 30, 1972, provided for making such loans on an insured basis from the Agricultural Credit Insurance Fund. Funds for loan services will continue to be allotted to the FHA from funds provided in the watershed and flood prevention operations appropriation.

No loans are made under this authority for the local costs of installing conservation land treatment measures. These land treatment measures primarily benefit the lands upon which they are installed, and the costs are normally borne by the individual land owners with some federal cost-sharing and technical assistance from other Department conservation programs.

The following tabulation shows the status of the watershed works of improvement and flood prevention loan program and amounts obligated or estimated to be obligated for loans to local sponsoring organizations of projects:

(Dollars in thousands)						
Explanation	1973 Actual		1974 Estimate		1975 Estimate	
	No.	Amount	No.	Amount	No.	Amount
1. Applications on hand at beginning of year.....	81	\$14,727	55	\$ 8,063	24	\$ 6,663
2. Applications received during year.....	<u>35</u>	<u>14,300</u>	<u>50</u>	<u>20,000</u>	<u>120</u>	<u>35,000</u>
3. Total applications for consideration during year.....	116	29,027	105	28,063	144	41,663
4. Loans obligated during year.....	49	19,964	<u>1/</u> 79	20,400	84	20,400
5. Loans closed during year (disbursements).....	(18)	(6,371)	<u>2/</u> (55)	(22,400)	<u>2/</u> (74)	(20,400)
6. Applications withdrawn or disapproved.....	<u>12</u>	<u>1,000</u>	<u>2</u>	<u>1,000</u>	<u>2</u>	<u>1,000</u>
7. Applications pending at end of year.....	55	8,063	24	6,663	58	20,263
8. Loans obligated end of year (cumulative).....	336	74,773	415	95,173	499	115,573
9. Loan servicing expense: Watershed protection projects and Flood control projects.....		642		512		516
<u>1/</u> Obligations not adjusted for prior year loan cancellations.						
<u>2/</u> Includes carryover loan funds appropriated to Soil Conservation Service.						

Applications for loans received by the Farmers Home Administration have varied greatly in amount. The applications now pending average about \$150,000 each. Most applications have included requests for funds to purchase land easements or rights-of-way and pay legal fees and organization costs. The larger loan requests have also included funds to pay the local organizations share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements.

(e) Great Plains Conservation Program

Appropriation Act, 1974	\$18,172,000
Budget Estimate, 1975	- -
Decrease in Appropriation	<u>-18,172,000</u>

Adjustments in 1974:

Appropriation Act, 1974	\$18,172,000
Activities transferred to Rural Environmental Program ^{a/}	<u>-18,172,000</u>
Adjusted base for 1975	- -
Budget estimate, 1975	- -

a/ The functions of the Great Plains Conservation Program are proposed to become a part of the Department's FY 1975 Rural Environmental Program. Unexpended balances will be transferred July 1, 1974 to The Agricultural Conservation and Stabilization Service.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974	Increase or Decrease	1975 Estimate
Cost-sharing assistance	12,300,000	-12,300,000	- -
Technical services and related expenses	5,455,000	-5,455,000	- -
Annualization of the pay cost increase effective in FY 1974	417,000	-417,000	- -
Total available	<u>18,172,000</u>	<u>-18,172,000</u>	<u>- -</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (Estimate)	Increase or Decrease	1975 (Estimate)
1. Great Plains Conserva- tion Program:				
(a) Cost-sharing assistance	\$12,573,000	\$12,300,000	-12,300,000 ⁽¹⁾	- -
(b) Technical services & related expenses	5,540,500	5,872,000	-5,872,000 ⁽¹⁾	- -
Total, available or estimate	<u>18,113,500</u>	<u>18,172,000</u>	<u>-18,172,000⁽¹⁾</u>	<u>- -</u>
Total appropriation	<u>18,113,500</u>	<u>18,172,000</u>		

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (Estimate)	Increase or Decrease	1975 (Estimate)
1. Great Plains Conserva- tion Program:				
(a) Cost-sharing assistance.....	\$12,573,046	\$12,300,000	-12,300,000	- -
(b) Technical services & related expenses	+5,583,788	6,024,289	-6,024,289	- -
Total, obligations.....	18,156,834	18,324,289 ^{a/}	-18,324,289	- -
Unobligated balance brought forward.....	-195,623	-152,289	+152,289	- -
Unobligated balance carried forward.....	+152,289	- -	- -	- -
Total, available or estimate.....	18,113,500	18,172,000	-18,172,000 ⁽¹⁾	- -

a/ Based on the appropriation for 1974 of \$18,172,000 plus pay cost increases for 1974 of \$417,000 offset by a reduction of \$264,711 for pay costs absorbed.

EXPLANATION OF PROGRAM

The appropriation "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Public Law 1021, 84th Congress, (16 U.S.C. 590p), as amended. Public Law 91-118 extended the Great Plains cost-share contracting authority to December 31, 1981. The activities carried out include:

- Long-term cost sharing contracts - to carry out planned conservation work by farmers and ranchers in designated counties of the ten Great Plains States.
- Technical assistance - provided by Soil Conservation Service personnel to farmers and ranchers in accomplishing contract provisions.
- Installation of conservation systems on entire operating units to:
 - provide needed protection and improvement of soil, water, plant, and wildlife resources;
 - contribute to total environmental improvement by reducing erosion caused by wind and water, sedimentation and by abatement of agricultural related pollutants; and
 - help stabilize the local economy.

This program supplements other soil and water conservation programs and activities in the counties designated by the Secretary. It is also coordinated with programs and objectives of locally managed conservation districts, state agencies, and community groups.

	FY 1973 Actual	FY 1974 Estimate	FY 1975 Estimate
<u>Program results</u>			
Number of new contracts-annual.....	2,565	2,500	- -
Acres under contract (1,000's)-annual.	4,332	4,515	- -
Number active contracts requiring technical assistance during the year-annual.....	19,322	18,830	- -

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$18,172,000 to discontinue the Great Plains Conservation Program as a separate program.

Long term soil and water conservation contracts will be offered nation-wide under the 1975 Rural Environmental Program which is explained in the Agricultural Stabilization and Conservation Service section in Volume II.

The total commitment for long-term soil and water conservation cost-sharing under the new Rural Environmental Program in the designated counties of the Great Plains States will be at least \$12.3 million, the same level as in fiscal year 1974 under the Great Plains Conservation Program. Technical services to participants in the Rural Environmental Program are proposed to be financed in 1975 with a direct appropriation to the Soil Conservation Service under Conservation Operations.

STATUS OF PROGRAM

Current Activities: The Great Plains Conservation Program was authorized under Public Law 1021, 84th Congress, (16 U.S.C. 590p), as amended. Public Law 91-118 extended the Great Plains cost-share contracting authority to December 31, 1981. This program provides technical assistance and long-term cost sharing to land users in the counties of the Great Plains States plagued with recurring wind erosion problems. It is designed to provide needed protection and improvement of soil, water, plant, and wildlife resources of this vast agricultural area. Installation of complete conservation programs on entire operating units in the area helps to stabilize the local economy, and that of the individual producers. The work supplements other soil and water conservation programs and activities in counties designated by the Secretary. It is also coordinated with programs and objectives of locally managed conservation districts, state agencies, and community groups. This program contributes to total environmental improvement through reduction of wind and water erosion and sedimentation and abatement of agricultural related pollutants.

The Great Plains Conservation Program is to be consolidated into the Department's Rural Environmental Program in fiscal year 1975.

Program Assignments

The Soil Conservation Service has general responsibility for administration of the Great Plains Conservation Program. The Agricultural Stabilization and Conservation Service participates in county program development and coordination of activities.

Counties Designated for Program Participation

As of December 1, 1973, 469 counties had been designated in the 10 Great Plains States as eligible to participate in the Great Plains Conservation Program. These are shown on the included map. The number of designated counties in each state is:

Colorado	-	37	North Dakota	-	38
Kansas	-	62	Oklahoma	-	30
Montana	-	39	South Dakota	-	47
Nebraska	-	61	Texas	-	123
New Mexico	-	19	Wyoming	-	13

Factors Affecting County Eligibility

Determination of a county's eligibility for participation in the program is based on conservation needs and the interest of local people. The physical factors for consideration include susceptibility of the land to serious wind erosion, and the need for changes in land use, cropping systems, and grassland management. The responsibility for determining local interest in the program rests with the State Program Committee. Their procedures may include public hearings, petitions of land owners and operators, resolutions by local groups, and requests of county leaders interested in the conservation of land and water resource.

Type of Assistance Furnished by the Department

The assistance furnished under this appropriation to participating farmers and ranchers in the 10 Great Plains States consists of the following:

1. Cost-shares for installation of permanent-type conservation practices under provisions of long-term contracts. The plan of operation for each farm or ranch unit shows the planned changes in land use and cropping systems, a time schedule of the conservation work to be done, and the cost-shares to be paid for the installation of specified practices. The

cost-share contracts may cover periods of 3 to 10 years. Financial assistance is given to each program participant to help him install needed conservation practices within the specific time period scheduled in his contract.

2. Technical services of soil conservationists, engineers, and other agricultural specialists to help plan and install sound conservation programs adapted to each farm or ranch. These services include:
 - a. Help in developing practical schedules for applying treatment measures. These are generally developed from conservation plans prepared under the Conservation Operations Program. The schedules provide for orderly adjustments in land use, application of needed conservation treatments within a specified time, and use of improved management techniques.
 - b. Technical help with installation of planned treatment measures. The farmer or rancher is responsible for carrying out his plan of operation as scheduled in his contract. Installation services are provided when needed for site selection, topographic surveys, detail designs, practice layout, and construction. Other technical assistance is furnished to help improve each farm or ranch enterprise in conformance with the conservation plan.

Selected Examples of Recent Progress:

Agency Participation

The following table shows funds obligated under the Great Plains Conservation Program in 1973 by agency and estimates for 1974 on the basis of available funds:

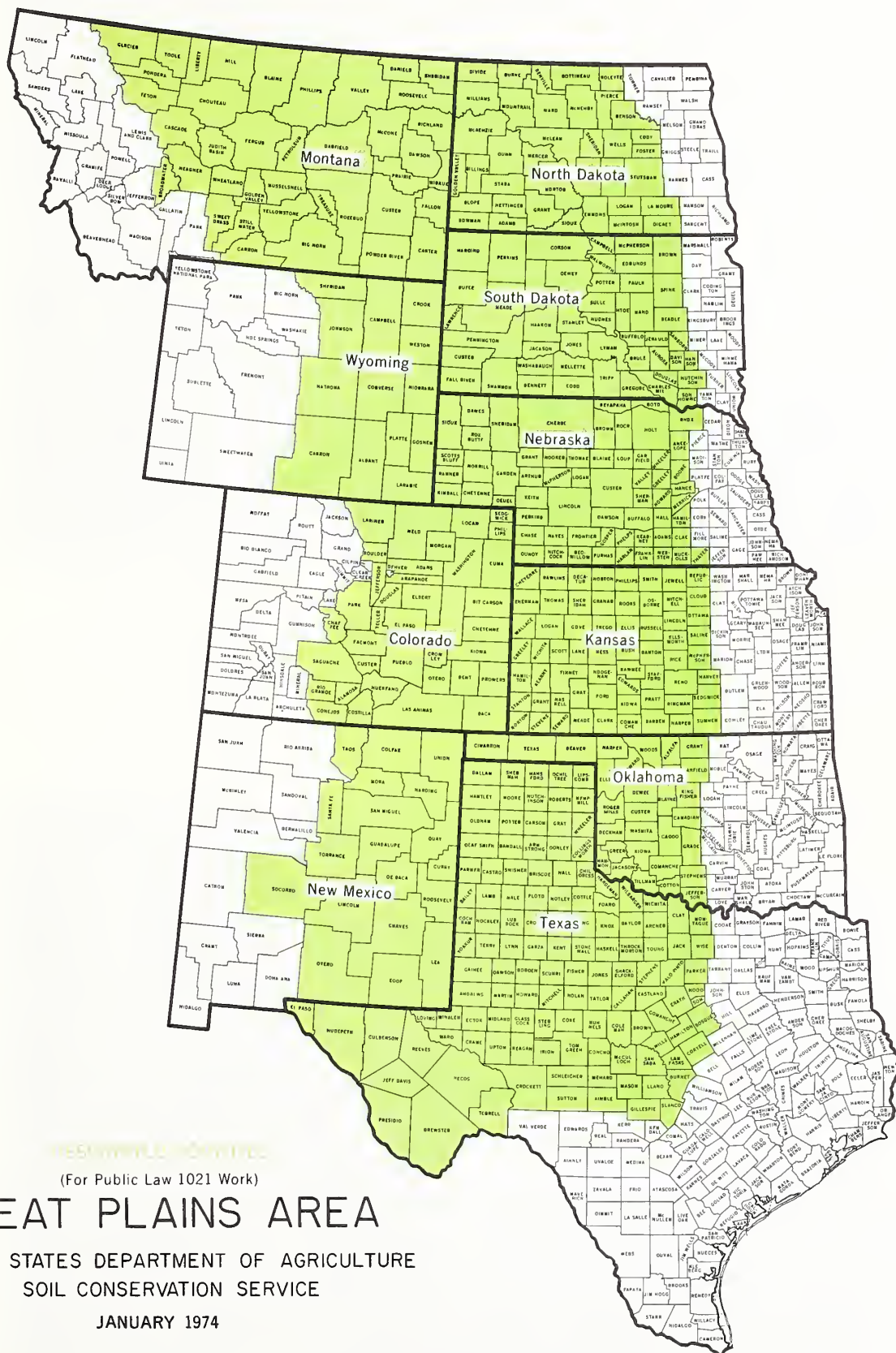
Item and Agency	1973 Obligations	1974 Estimate	1975 Estimate a/
Cost-Share Contracts:			
Soil Conservation Service.....	\$12,573,046	\$12,300,000	....
Technical Services and Related Expense:			
Soil Conservation Service.....	5,500,146	5,940,289	....
Agricultural Stabilization and Conservation Service.....	84,000	84,000	....
Office of Information.....	-358	....	....
Subtotal.....	\$5,583,788	\$6,024,289	....
Total Obligations.....	\$18,156,834	\$18,324,289	....

a/ The Great Plains Conservation Program will be discontinued as a separate program in 1975. Long-term contracting for soil and water conservation will be offered nationwide under the Rural Environmental Program in 1975.

Aiding Rural Development

Thirty-two soil and water conservation practices are eligible for cost-sharing under the Great Plains Conservation Program. Cost-share rates authorized for these practices vary from 50 to 80 percent of the estimated average installation cost. Program participants generally pay about 35 percent of the total costs for those practices installed, and the entire cost for management-type practices.

The work under this program has been effective in stabilizing many farm and ranch enterprises within the area. Cooperating land owners or operators are encouraged to systematically apply a well-planned conservation program to their land. Establishment of adapted grass varieties on low producing croplands has provided conservation benefits as well as additional income. Through installation of eligible practices, the participants are assisted in improving the quality of



(For Public Law 1021 Work)

GREAT PLAINS AREA

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

JANUARY 1974



Top picture, a Texas pasture rootplowed and planted to native grasses with woody plants left undisturbed along the rough, steep areas preferred by wildlife. Bottom picture, the forage produced on the reseeded area. Livestock production has doubled and the deer population has tripled on this restored rangeland.





A gully in Oklahoma is shaped and sodded with bermuda grass to form a waterway. Water from 110 acres of terraced, cultivated land and 186 acres of pastureland will be carried by the waterway with a minimum of soil movement.



environment by controlling wind and water erosion and sedimentation, providing fish and wildlife habitat, recreation, economic use of land, and abating agricultural related pollutants.

Changes in Land Use Needed

Concentrated efforts are being made under this program to help land owners and operators make needed land use changes. Much of the Great Plains area is suited to production of cultivated crops when needed conservation measures are properly applied. There are, however, areas of land now in cultivation that are not suited to such use because of soil type, topography, and low rainfall. Soil surveys are used to get essential land facts on which to base conservation and land use plans.

Program participants are getting much of the land unsuited for cultivation converted to permanent vegetative cover and reseeding denuded rangelands. Cost-share contracts as of June 30, 1973, include 12,550,465 acres which were being used as cropland at the time the contracts were signed. The plans of operation developed and made a part of the contracts provided for the conversion of 2,651,184 of these acres (about 21%) to permanently vegetated rangeland or other noncrop uses. During fiscal year 1973, farmers and ranchers actually completed the establishment of 167,439 acres of permanent vegetative cover and reseeded 117,977 acres of deteriorating rangeland for which they received assistance under their cost-sharing contracts.

Technical Assistance Workload

Installation services with contracted practices are programmed both annually and on a long-term basis. Such help must be made available when practices are scheduled for installation. The technical workload associated with contracted practices increases from year to year as more participants enter the program. This will continue until contract expirations balance with new contracting.

Assignment of staff in field offices to service Great Plains contracts has been primarily on a part-time basis in most counties. In 1973, about 363 man-years were used for technical services, including contract preparation. Technical time provided under this appropriation averaged less than one man-year per county.

Applications for Assistance and Cost-Share Contracts

Interest in the Great Plains Conservation Program continues to increase. Good progress is being made in committing farmers and ranchers to conservation development and operations. The following table shows facts and projections on applications for program assistance and cost-share contracts:

Explanation	1973 Actual	1974 Estimate	1975 Estimate ^{a/}
Applications for assistance received:			
Current fiscal year.....	4,898	3,800	....
Cumulative to June 30.....	52,354	56,154	....
Contracts signed:			
Current fiscal year.....	2,565	2,500	....
Cumulative to June 30.....	45,150	47,650	....
Acreage in contracts:			
Current fiscal year.....	4,332,466	4,515,000	....
Cumulative to June 30.....	81,681,801	86,196,801	....
Unserviced applications as of June 30:			
Number.....	7,204	8,504	....
Acreage.....	16,607,876	19,604,781	....

^{a/} The Great Plains Conservation Program will be discontinued as a separate program in 1975. Long-term contracting for soil and water conservation will be offered nationwide under the Rural Environmental Program in 1975.

Status of Contracts Signed

The average size of farm and ranch units placed under contract in fiscal year 1973 was 1,689 acres, while all units placed under contract through June 30, 1973 averaged 1,809 acres. The following table shows the status of cost-share contracts as of June 30, 1973:

<u>Explanation</u>	<u>Number</u>	<u>Acres</u>
Contracts signed.....	45,150	81,681,801
Contracts terminated:		
By mutual consent.....	1,470	2,046,236
For cause.....	937	807,872
By expiration.....	26,413	45,610,229
Total terminations.....	28,820	48,464,337
Active contracts.....	16,330	33,217,464

Practices Applied and Cost-Shares Paid

Great Plains Practices	Unit	<u>Extent Applied</u>		<u>Cost-Shares Paid</u>	
		<u>FY</u>	<u>Cumulative</u>	<u>FY</u>	<u>Cumulative</u>
		<u>1973</u>	<u>6/30/73</u>	<u>1973</u>	<u>6/30/73</u>
		<u>Amount</u>	<u>Amount</u>	<u>Dollars</u>	<u>Dollars</u>
<u>Initial Application</u>					
Establish permanent vegetative cover.....	Acres	167,439	2,156,661	1,476,475	18,107,615
Establish field/wind strip-cropping.....	Acres	50,716	877,521	74,143	1,141,775
Establish contour strip-cropping.....	Acres	5,084	153,529	27,128	642,041
Establish contour farming..	Acres	....	4,981	....	4,469
Reestablishing grasslands..	Acres	117,977	1,672,461	1,366,858	16,144,878
Establishment of trees and shrubs.....	Acres	3,021	35,419	164,242	1,986,398
Establish permanent waterways.....	Acres	2,296	38,226	237,202	4,017,195
Terraces.....	Miles	2,363	71,449	771,922	17,259,231
Diversions.....	Miles	183	4,612	128,806	2,371,807
Grassland mechanical treatment.....	Acres	9,156	345,941	14,173	392,484
Dams for eros. control detention.....	Number	652	20,442	295,742	4,314,982
Grade stabilization structures.....	Number	222	3,854	76,202	939,223
Streambank protection, etc.	L. Ft.	4,901	257,712	6,515	279,296
Diversion dams and spreader ditches.....	Acres	4,445	113,162	163,764	2,345,458
Reorganizing irrigation systems.....	Number	247	4,441	248,476	6,501,584
Irrigation land leveling...	Acres	7,486	209,549	146,677	6,228,825
Dams, pits, or ponds for irrig.....	Number	17	708	22,226	585,721
Lining irrig. ditches, canals, etc.....	L. Ft.	35,700	1,707,702	32,691	1,522,310
Wells.....	Number	1,186	18,495	624,908	9,902,659
Developing springs and seeps.....	Number	178	2,377	44,400	464,347
Constructing dams, pits, or ponds.....	Number	1,335	24,483	689,442	11,327,816

Practices Applied and Cost-Shares Paid

Great Plains Practices	Unit	Extent	Applied	Cost-Shares Paid	
		FY	Cumulative	FY	Cumulative
		1973	6/30/73	1973	6/30/73
		Amount	Amount	Dollars	Dollars
<u>Initial Application</u>					
Pipelines.....	Miles	931	6,982	1,063,590	7,442,294
Controlling competitive shrubs.....	Acres	216,175	4,885,095	626,470	12,960,024
Fences.....	Miles	1,622	14,120	516,929	4,824,337
Critical area treatment....	Acres	2,312	5,456	177,173	406,891
Irrig. tailwater recovery system.....	Number	24	67	9,347	30,303
Disposal lagoons.....	Number	20	29	14,262	26,810
Recreation land grading & shaping.....	Acres	....	3	....	123
Water storage facilities...	Number	1,182	2,617	309,547	699,410
Catchment basins.....	Number	....	4	....	18,699
Shallow water areas.....	Number	14	44	5,056	25,140
Holding ponds and tanks....	Number	16	18	24,416	25,472
<u>Reapplication</u>					
Establish perm. vegetative cover.....	Acres	12,128	139,287	130,382	1,011,338
Establish field/wind stripcropping.....	Acres	98	246	135	320
Contour stripcropping.....	Acres	....	25	....	117
Reestablishing grasslands..	Acres	9,135	75,853	109,722	694,673
Establishment of trees or shrubs.....	Acres	113	2,972	6,808	108,301
Establish permanent waterways.....	Acres	346	3,349	10,482	96,628
Terraces.....	Miles	90	793	21,083	145,353
Diversions.....	Miles	1	8	262	3,834
Grassland mechanical treatment.....	Acres	70	290	140	360
Dams for eros. control detention.....	Number	4	38	3,379	22,348
Grade stabilization structures.....	Number	....	14	....	2,650
Streambank protection, etc.	L. Ft.	....	1,063	....	11,657
Diversion dams and spreader ditches.....	Acres	100	3,517	4,037	24,829
Reorganizing irrigation systems.....	Number	....	5	....	5,083
Irrigation land leveling...	Acres	52	586	1,712	11,615
Dams, pits, or ponds for irrigation.....	Number	....	6	....	2,410
Lining irrig. ditches, canals, etc.....	L. Ft.	217	217	163	163
Wells.....	Number	8	64	2,314	28,485
Developing springs and seeps.....	Number	1	7	51	1,560
Constructing dams, pits, or ponds.....	Number	8	77	2,773	30,585
Pipelines.....	Miles	1	6	1,958	5,436
Controlling competitive shrubs.....	Acres	2,257	54,840	4,871	101,289
Fences.....	Miles	....	1	....	109
Critical area treatment....	Acres	123	337	6,992	11,474
TOTAL	xxxx	xxxxxxx	xxxxxxx	\$9,702,047	\$135,257,234

Note: The total amount of cost-shares paid by primary purpose is:

	FY1973	Cumulative 6/30/73
Wind and water erosion protection	\$9,610,445	\$135,117,954
Fish, wildlife, and recreational uses	43,720	77,243
Economic use of land	9,055	9,984
Agricultural-related pollution	38,827	52,053

WIND EROSION CONDITIONS IN THE GREAT PLAINS
For the 1972-73 Wind Erosion Season

Reports were submitted from 275 counties in the 10 Great Plains States. Counties reporting are those in which wind erosion was prevalent or expected during the 1972-73 season. The acreage of land damaged is cumulative for the period November 1, 1972 to May 31, 1973.

Land Damaged

A total of 1,958,286 acres was reported damaged in 275 counties compared to 2,245,297 acres reported in 253 counties a year ago, a decrease of 287,011 acres, or 12.8%. Of the total land reported damaged 90.9% was cropland (1,779,343 acres), 6.3% rangeland (124,193 acres) and 2.8% other land (54,750 acres). The Northern Plains States reported 724,228 acres (37.0%) and the Southern Plains States reported 1,234,058 acres (63.0%). Texas reported 1,018,250 acres damaged, or 52.0% of the total for the 10 states.

Acres of Land Damaged

Great Plains States	Co's	Land Damaged			Total Land Damaged	
	Rptg.	Cropland	Rangeland	Other Land	5/31/73	5/31/72
	No.	Acres	Acres	Acres	Acres	Acres
Northern:						
Montana	15	159,875	50,000	200	210,075	241,510
Nebraska	10	7,050	10,000	- -	17,050	113,010
North Dakota	53	315,580	500	100	316,180	277,450
South Dakota	35	160,623	- -	500	161,123	121,150
Wyoming	7	12,400	6,400	1,000	19,800	72,650
Subtotal	120	655,528	66,900	1,800	724,228	825,770
Southern:						
Colorado	36	52,900	13,230	1,200	67,330	76,480
Kansas	39	18,245	1,913	- -	20,158	133,472
New Mexico	7	21,700	11,500	2,600	35,800	40,550
Oklahoma	17	87,820	3,200	1,500	92,520	23,875
Texas	56	943,150	27,450	47,650	1,018,250	1,145,150
Subtotal	155	1,123,815	57,293	52,950	1,234,058	1,419,527
Grand Total	275	1,779,343	124,193	54,750	1,958,286	2,245,297

Crops or Cover Destroyed on Land Not Damaged

Crops or cover was destroyed on 207,866 acres of land not damaged compared to 281,331 acres reported a year ago, a decrease of 73,465 acres, or 26.1%. Crops or cover destroyed in Texas (110,320 acres) represents 66.3% of crops or cover destroyed in the Southern Great Plains States and 53.1% of the total.



Four inch chisels were used to renovate Wyoming rangeland (top picture). The moisture retained increased vegetation production from 200 pounds per acre to 500. Plant composition changed from mainly blue grama grass (middle picture) to western wheat grass, blue grama grass, needleandthread grass, and forbs (bottom picture) in two growing seasons after treatment.

Land Not Damaged Due to Emergency Tillage

Emergency tillage to prevent land damage was reported on 2,795,126 acres. Emergency tillage in Texas (2,239,500 acres) represents 80.1% of the total acres so treated. The Southern Great Plains States reported 89.3% of the emergency tillage.

Program Accomplishing Objectives

A South Dakota farmer, working with SCS conservationists in the Hamill Soil Conservation District, drew up a long range, basic conservation plan for the proper use and treatment of his land.

Application was made to participate in the Great Plains Conservation Program to help defray some of the expense of carrying out land treatment in the plan. The needed land treatment, as scheduled in the original plan would take about five years at a cost of approximately \$2,500, about 70% of which would be cost shared by GPCP.

The original plan was necessarily modified to apply alternative measures for better erosion control under a wider range of conditions. Terraces, more grass seeding and cross fences were added with a corresponding increase in costs to \$6,900, about 75% of which was cost shared by GPCP. The time needed to complete the plan was also extended from five to eight years. This flexibility is a necessary characteristic of the Great Plains Conservation Program to accommodate changes needed in long range planning.

After many hours of planning and years of hard work, the plan was successfully completed. Included were 121 acres of grass seeding, 10½ miles of terraces, a diversion ditch ¾ mile long, 10 acres of sod waterways, 7 acres of new tree windbreaks making a total of 17 acres of trees on the farm, 78 acres of wind stripcropping, 308 acres of contour stripcropping in addition to the annual practice of stubble mulch tilling, conservation crop rotation and proper grazing of grass.

In addition to the self satisfaction in completing these accomplishments, the farmer won first place honors in the 1973 Greater South Dakota Association Soil and Moisture Achievement program in recognition of his outstanding work.

The 5,000th contract signed in Kansas during 1973 under the Great Plains Conservation Program notes a benchmark of progress. The distinction goes to a cooperator with the Kingman County Conservation District. His contract provides for a five year program of conservation improvement on a 403 acre farming unit. Fifty-three acres of an 80 acre field will be converted from cropland to rangeland seeded to native grasses. One large wheat field will have three grassed waterways and terracing installed while stubble mulching will be continued to conserve moisture and reduce erosion. A planned grazing system will be started on 111 acres of rangeland and a stock water pit will be dug. These measures will increase grain and livestock production.

(f) Resource Conservation and Development

Appropriation Act, 1974	\$17,217,000
Budget Estimate, 1975	19,908,000
Increase in Appropriation	+2,691,000

Adjustments in 1974:

Appropriation Act, 1974	\$17,217,000	
Transfer to General Services Administration for rental of space	-13,000	
Adjusted base for 1975		17,204,000
Budget estimate, 1975		19,908,000
Increase over adjusted 1974		2,704,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	<u>1974</u>	<u>Increase or Decrease</u>	<u>1975 Estimate</u>
Project investigations and planning	\$1,229,000	+148,000	\$1,377,000
Resource development and technical services	14,913,000	+2,070,000	16,983,000
Loan services	173,000	+15,000	188,000
GSA space rental costs	--	+385,000	385,000
Annualization of the pay cost increase effective in 1974	889,000	+86,000	975,000
Total available	<u>17,204,000</u>	<u>2,704,000</u>	<u>19,908,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Project investigations and planning:				
\$ 2,310,469:		\$ 1,376,000:	+199,000	\$ 1,575,000
2. Resource development and technical services	23,969,189:	15,640,000:	+2,489,000	18,129,000
3. Loan services	315,233:	188,000:	+16,000	204,000
Total available or estimate	26,594,891:	17,204,000:	+2,704,000(1)	19,908,000
Transfer to GSA	+5,109:	+13,000:		
Total appropriation	<u>26,600,000:</u>	<u>17,217,000:</u>		

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Project investigations and planning:				
\$ 2,666,462:		\$ 2,450,000:	+60,000	\$ 2,510,000
2. Resource development and technical services	18,909,966:	21,223,000:	+410,440	21,633,440
3. Loan services	313,233:	203,000:	+1,000	204,000
Total obligations	21,889,661:	23,876,000:	+471,440 (1)	24,347,440
Unobligated balance brought forward	-6,406,210:	-11,111,440:	+6,672,000	-4,439,440
Unobligated balance carried forward	+11,111,440:	+4,439,440:	-4,439,440	--
Total available or estimate	26,594,891:	17,204,000:	+2,704,000	19,908,000

a/ Based on the Adjusted appropriation for 1974 of \$17,204,000, the use of carryover balances of \$5,783,000 and pay costs increases for 1974 of \$889,000. Excludes \$4,439,440 of carryover balances withheld from use in 1974. This amount will be carried forward for obligation and reduces the amount of budget authority required in 1975.

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" of the Soil Conservation Service funds the activities authorized under Section 32(c) of Title III of the Bankhead-Jones Farm Tenant Act as amended (7 U.S.C. 1011 76 Stat. 607), and the provisions of the Act of April 27, 1935, (16 U.S.C. 590a-f). The activities carried out are as follows:

Project investigations and planning - This activity provides staff assistance to local sponsors in the preparation of their long range plans for the conservation and utilization of the natural resources in the project area. The workload consists of planning in 66 areas. Of these, 25 are areas where planning will be initiated in 1975 and 41 where planning initiated in prior years will be continued. Project plans will be completed in 17 of these areas. Planning activities in 1974 are expected to require 120 man-years.

Item	1973 Actual	1974 Estimate	1975 Estimate
Planning Starts (no.)	25	25	25
Planning Starts (cumulative)	123	148	173
Plans in Process during year (no.)	51	66	66
Plans Completed during year (no.)	10	25	17
Plans Completed cumulative (no.)	82	107	124

Resource development and technical services (project operations) - This activity provides technical and financial assistance to local sponsors for developing and carrying out measure plans identified during the project planning process. The workload consists of completing 1,000 measures and seven environmental statements in the 124 project areas for which project plans will have been completed. Technical assistance is expected to total 581 man-years in 1974. Eight million dollars will be available for sharing in the cost of installing planned measures.

Project Operations Obligations

	1973 Actual		1974 Estimate		1975 Estimate	
	:Number	Amount	:Number	Amount	:Number	Amount
Projects in operation and amounts obligated:						
				(Dollars in thousands)		
a. Underway at beginning of yr.	72	\$18,210	82	\$19,473	107	\$20,443
b. Authorized during year.....	10	700	25	1,750	17	1,190
Total in operations.....	82	18,910	107	21,223	124	21,633
Prior year obligations.....	XX	55,928	XX	74,838	XX	96,061
Total obligations (cumulative)....	XX	74,838	XX	96,061	XX	117,694

Loan services - This activity provides funds to service loans made to sponsors from the Agricultural Credit Insurance Fund of the Farmers Home Administration. These loans are made when needed to help local sponsors finance the local share of the cost of installing planned project measures. The workload consists of servicing 231 loans which will be made by the end of the 1975 fiscal year. Loan servicing is expected to require 13 man-years in 1975.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase in appropriations of \$2,704,000 (\$17,217,000 appropriated in 1974). On the basis of available funds there is an increase of \$471,440 consisting of:

GSA Space rental costs.....	\$385,000
Annualization of pay cost increases	
effective in fiscal year 1975.....	+86,000
Rounding.....	+440

The total program level for Resource Conservation and Development of \$24,347,440 for 1975 provides for the continuation of the 1974 program level and fully finances the increased costs for pay and GSA space.

STATUS OF PROGRAM

Current Activities: The Resource Conservation and Development (RC&D) Program was initiated in February 1964 under authority of Section 102 of the Food and Agriculture Act of 1962 (P.L. 87-703) and other existing Departmental authorities. This program is carried on in RC&D project areas, which are organized and sponsored by units of state and local government. Project sponsors initiate and direct a continuing planning process, develop and maintain an overall project plan for the area and carry out plan decisions. The U.S. Department of Agriculture, other Federal Departments, state and local agencies lend assistance within existing authorities and available resources.

The objective of the program is to expand economic opportunities for the people of an area by assisting them in preparing and carrying out plans of action for the orderly conservation, improvement, development, and wise use of their natural resources. Agencies of the Department of Agriculture, under program leadership of the Soil Conservation Service, provide technical, financial and loan assistance to local sponsors. Sponsors also seek the assistance of all local, state, and federal agencies which can contribute to the initiation and installation of needed measures.

Basic goals of the Resource Conservation and Development Program are generally as follows:

1. To develop dynamic rural communities which have a pleasant environment and a satisfactory level of income based on sound, well-planned use of available local resources.
2. To enable local people to sponsor, initiate and carry out coordinated long-range and short term plans and programs for action in resource conservation and development projects designed specifically to meet the needs and conditions of rural communities.
3. To provide local means of obtaining, coordinating, and using assistance available from the Department and other federal and state sources to help stimulate and develop the resource potentials of the area as shown in the project plan.
4. To create an investment climate attractive to private capital so that resources may be developed to help communities adapt to changing conditions and needs.

A significant feature of resource conservation and development projects is the creation by local leaders of a climate of confidence and community stability. This stimulates investment of private funds in measures such as: new processing plants; new businesses to provide services; private or community water-based recreation facilities; and land treatment and structural measures designed to enhance and protect other investments.

Types of Assistance Furnished by the Department

Assistance provided within project areas under this program can be grouped into two types: (1) preparation and maintenance of long-range project plans and (2) implementation of the plans (operations).

1. Project investigations and planning assistance in carrying out the planning process is furnished to sponsors in new project areas. After RC&D Program assistance has been authorized for the applicant area, project sponsors start the development of a long-range project plan. Agencies of the Department (Soil Conservation Service, Economic Research Service, and the Forest Service) provide Departmental staff assistance to sponsors in the preparation of their plan. Project sponsors also receive planning assistance from other federal, state and local agencies. Following a careful study of the land, water, and related resources by the sponsors and involved citizen groups, the sponsors prepare overall project plan. The plan describes the area, its basic problems and needs. It sets forth the sponsors' objectives and outlines their plans for the prudent

management and development of resources. Sponsors establish major courses of action to be pursued and set priorities for solving identified problems and meeting needs of the area. Measures and activities that will improve the area identified and explained; schedules for action to carry out measures are included. The project plan is "open ended" and is added to or modified to meet changing needs and to capitalize on new opportunities. The project plan is as necessary to reflect needed changes. Major revisions are made as changing conditions warrant. The short-term plans and work schedules are revised annually.

2. Technical and financial assistance in project areas authorized for help in implementing the overall project plan (operations) include:
 - a. Technical assistance for making necessary resource inventories, soil surveys and interpretations for measure planning and installation.
 - b. Financial assistance to help eligible sponsors plan and install approved rural development measures; including erosion and sediment control (critical area treatment), flood prevention, farm irrigation, land drainage, soil and water management for the control of agricultural-related pollutants, public water-based facilities for recreation and fish and wildlife and water quality management.
 - c. Technical assistance to help sponsors plan and install conservation measures which contribute to project objectives.
 - d. Loans to local sponsoring agencies and groups to help finance approved project activities and measures.

Program Assignments

Administrative leadership for this program is assigned to the Soil Conservation Service. USDA planning assistance is provided primarily by the Soil Conservation Service, Forest Service, and Economic Research Service. Technical assistance for project operations is provided primarily by the Soil Conservation Service, Forest Service, Economic Research Service and Extension Service. The Farmers Home Administration is responsible for carrying out the loan provisions of the program. In addition, other agencies of the Department provide assistance in accordance with their Departmentally assigned functions.

Other federal agencies provide assistance to project sponsors in accordance with their regularly assigned functions. State and local subdivisions of state government participate as permitted within their legal authorities. Thus, RC&D project activities are broader than those created by assistance from this Department alone.

Selected Examples of Recent Progress:

PROJECT INVESTIGATIONS AND PLANNING

Agency Participation

Funds obligated for project investigations and planning in 1973 and estimates of projected available funds by agency for 1974 and 1975 are shown in the following table:

	1973 Actual	1974 Estimate	1975 Estimate
Soil Conservation Service	2,604,322	2,389,250	2,449,000
Economic Research Service	13,733	10,750	11,000
Forest Service	48,407	50,000	50,000
Total	2,666,462	2,450,000	2,510,000



Above, the income from vegetables provides a comfortable living for this couple in New Mexico's Northern Rio Grande RC&D Project. RC&D assistance helped provide a reliable water supply for irrigation. Below, near Espanola, New Mexico outdoor ovens are used to pre-cook corn for Mexican food products. This RC&D project measure is one of the successful family income producing operations in the Northern Rio Grande RC&D Project area.



RESOURCE CONSERVATION AND DEVELOPMENT PROJECT STATUS

Legend:

- Applications (Yellow)
- Authorized Projects (Green)

Map details include state names, county boundaries, and project status indicators. Insets show the Hawaiian Islands and the Caribbean Area. A scale bar and projection information are also present.

Authorized Projects

Authorized Projects

Albers Equal Area Projection
 East 12.5°E 72°E

In 1998, 1.5 MDC cases

CARIBBEAN AREA

UNDA-DCD-HYASIBVILE, MO. 1974

Status of Project Planning

Resource conservation and development projects are initiated, sponsored and directed by local governing bodies of soil and water conservation districts, county governments, cities, towns, and special purpose districts in cooperation with state governments and their agencies, subdivisions of state government and local agencies and groups. Projects are located where increased attention to community problems of resource treatment and other soil and water conservation activities is essential to the full development and prudent utilization of resources for community improvement. Rural areas subject to rapid and significant economic change also benefit from this project approach to prudent use of land and related resources.

Project areas, with but two exceptions, cover two or more counties. People within a project area recognize common interests, resources, problems, and needs and by working together are able to develop the potential of the area and provide opportunities for better rural living conditions. Effectiveness of projects depends upon resources available to the people, local leadership, and teamwork among public agencies assisting the sponsors. Activities planned and carried out by project sponsors are closely coordinated with concerned substate planning agencies.

Resource conservation and development plans for project areas were completed in 82 projects as of June 30, 1973; planning was underway in 41 other project areas, and there were 76 applications for assistance on hand. Projections indicate plans will be completed this fiscal year for 25 of the 41 projects where planning is underway. This makes a total of 107 plans for project areas which will be completed by the end of 1974 fiscal year. It is estimated that plans will be completed for 17 additional project areas during the 1975 fiscal year. This will make a total of 124 project plans expected to be completed by the end of 1975 fiscal year. Planning will be initiated during 1975 fiscal year in 25 new project areas.

Sponsors' goals and objectives in project plans are progressive. Far reaching policy decisions and planned actions are designed to improve the level of living for people in the area; enhance the environment; effect orderly land use change; improve water supplies; accelerate erosion and sediment control; reduce flooding; lessen water and land pollution; develop public water-based recreation facilities; develop wood products and other industries; improve scenic and historical attractions to encourage and develop tourist trade; and other similar community development measures.

RESOURCE DEVELOPMENT AND TECHNICAL SERVICES

Agency Participation

The following table shows the funds obligated for resource development and technical services in 1973 and estimates or projected available funds by agency for 1974 and 1975.

Agency	: 1973 : Actual	: 1974 : Estimate	: 1975 : Estimate
Soil Conservation Service	17,543,456	20,021,250	20,498,440
Economic Research Service	182,458	135,450	81,000
Extension Service	381,401	256,000	296,000
Forest Service	802,651	810,300	758,000
Total	18,909,966	21,223,000	21,633,446

RC&D PROJECTS AUTHORIZED

(Includes all project areas with plans underway or complete as of June 30, 1973).

State	Authorized Projects	Counties	Acreage (000)	Cumulative Obligations
Alabama	3	26	11,519	\$4,245,668
Alaska	- -	- -	- -	- -
Arizona	4	12	44,172	652,753
Arkansas	4	40	17,252	5,854,829
California	2	6	10,634	442,514
Caribbean Area	1	1	85	67,640
Colorado	4	30	24,787	1,945,716
Connecticut	1	4	1,177	804,044
Delaware	1	3	1,266	126,039
Florida	2	18	7,644	994,970
Georgia	4	14	3,356	3,306,022
Hawaii	1	1	714	494,766
Idaho	2	14	10,720	2,047,004
Illinois	2	19	4,321	1,493,441
Indiana	3	21	4,839	2,822,976
Iowa	3	16	5,552	1,320,040
Kansas	4	28	13,292	1,202,061
Kentucky	3	21	5,332	1,608,068
Louisiana	3	19	8,376	2,243,535
Maine	3	10	6,323	2,088,842
Maryland	1	3	668	316,274
Massachusetts	1	2	1,077	406,399
Michigan	3	36	18,138	1,705,559
Minnesota	2	13	8,161	2,958,653
Mississippi	4	67	24,356	3,109,980
Missouri	3	24	9,905	2,579,317
Montana	3	11	16,806	1,930,564
Nebraska	1	11	9,030	783,618
Nevada	1	8	15,852	840,294
New Hampshire	1	4	3,161	1,253,450
New Jersey	1	2	570	29,739
New Mexico	2	11	23,569	3,149,614
New York	3	15	7,610	2,917,644
North Carolina	3	15	4,271	1,324,458
North Dakota	2	16	13,197	793,212
Ohio	4	16	4,379	1,240,568
Oklahoma	3	21	12,436	2,548,104
Oregon	3	12	14,897	3,904,402
Pennsylvania	2	9	4,602	2,436,009
Rhode Island	1	5	671	80,838
South Carolina	4	23	9,106	2,095,369
South Dakota	2	12	11,171	2,005,663
Tennessee	3	29	7,088	2,269,699
Texas	5	29	18,148	2,298,002
Utah	2	8	16,125	2,068,263
Vermont	2	10	3,158	1,382,762
Virginia*	- -	4	1,089	478,129
Washington	1	4	2,157	357,258
West Virginia	4	27	7,105	2,536,316
Wisconsin	3	29	17,528	2,930,606
Wyoming	3	16	39,046	932,024
Totals	123	795	506,798	\$87,423,715

*Virginia shares a project with West Virginia.



The Ted McNinch family (above) demonstrates how logs are made into fence posts at their plant near Stevensville, Montana. The McNinch plant is one of several small family businesses in the area that have received technical assistance from the Bitter Root RC&D Project. Below, finished posts of green lodgepole timber air dry before being treated with a preservative. The McNinch family and two hired men can turn out 1800 posts a day.





Land use planning near developing suburban areas is important in RC&D projects to avoid costly flood, erosion and sedimentation problems.

Project Operations Accelerate Resource Development

When each project is authorized for assistance to implement the plan, local staffs of the Soil Conservation Service are increased as budget permits to meet the added workload. Other federal and state agencies cooperate in furthering resource development by furnishing help to carry out the measures.

Acceleration of soil surveys is needed in many project areas to serve as a basis for planning and carrying out other measures. Much of the conservation work already planned on individual farms and ranches through conservation districts contributes to the program. However, plan revisions may be needed to take full advantage of community resource development and management opportunities. Planning and applying additional land treatment measures on farms and ranches in selected areas is an important resource conservation and development activity. Such areas generally are those where additional treatment is needed to adequately support and protect community-type measures that are to be installed.

In the 82 projects authorized for operation, 5,845 measures were completed and placed in operation by June 30, 1973. Measures contribute significantly to: (1) solving land use, economic, and social problems; (2) a realization of development opportunities; and (3) increased employment and income in project areas. Measures include critical area treatment, flood prevention, farm irrigation, land drainage, soil and water management for agriculture-related pollutant control, public water-based fish and wildlife and recreation development, and acceleration of ongoing programs. In addition, there are associated measures in which the sponsors plan and carry out specific actions either as the primary leaders or in a supporting role to other leaders or organizations on facilities, activities or enterprises necessary for utilization, processing, and marketing of natural resource products plus development of enterprises compatible with project objectives.

Sponsors, in initiating measures to attain their objectives, will seek assistance which goes beyond that available in this Department. These include improvements such as municipal water and sewer systems, hospitals, roads, industrial parks and others. One of the major advantages of an RC&D project is that community problems can be and are analyzed. This permits concentration of a broad range of resources on identified problems for their rapid solution, and brings community involvement in the solution of problems basic to sound land use and resource development.

Cooperative Work Producing Results

Other federal programs, state and local agencies, and private enterprise assist in the planning and installation of measures and other activities. A summary of measures installed by June 30, 1973, follows:

STATUS OF 82 RESOURCE CONSERVATION AND DEVELOPMENT PROJECTS IN OPERATIONS

June 30, 1973

Type of RC&D Measure	RC&D Measure Activity							
	Adopted		Planned		Completed		Canceled	
	Total		Total		Total		Total	
	FY	to	FY	to	FY	to	FY	to
	1973	date	1973	date	1973	date	1973	date
Accelerated Services...	402	1,746	197	811	81	488	39	68
Critical Area Treatment	409	1,284	127	535	60	251	37	54
Flood Prevention.....	265	1,506	48	294	34	165	75	146
Farm Irrigation.....	58	415	39	150	29	98	21	48
Land Drainage.....	75	329	9	87	8	62	11	21

Type of RC&D Measure	RC&D Measure Activity							
	Adopted		Planned		Completed		Canceled	
	FY 1973	Total to date	FY 1973	Total to date	FY 1973	Total to date	FY 1973	Total to date
Public Water-Based Recreation.....	106	359	5	21	2	5	17	22
Public Water-Based Fish & Wildlife.....	32	176	7	13	1	1	1	6
Public Recreation or Fish & Wildlife Developments.....	330	3,231	*	*	164	813	96	249
Water Developments.....	46	1,142	*	*	26	346	22	73
Special Resource Studies & Inventories.....	356	2,013	*	*	223	832	45	81
Highways, Roads, Trails & Scenic Highways....	180	1,008	*	*	30	195	29	49
Cooperatives & Associations.....	25	212	*	*	18	88	5	17
Agri. & Forest Product Processing or Marketing Industry.....	80	574	*	*	20	182	28	61
Industrial Development.	57	425	*	*	26	195	17	47
Public Facilities or Services.....	565	3,770	*	*	246	1,090	50	144
Educational.....	198	862	*	*	86	325	28	45
Other.....	335	2,491	*	*	144	709	59	166
Totals.....	3,519	21,572	432	1,911	1,198	5,845	580	1,237

*No Record kept of planning activities on these associated RC&D measures.

Highlights of Program Progress

Highlights of progress as of June 30, 1973, in several projects representative of the 82 that were in operation as of that date, are as follows:

Bitter Root Valley RC&D Area, Montana: This project has been in operation for about three years. Among the many accomplishments is the wood waste utilization project measure. This is one of the most important that the Bitter Root Valley RC&D Project has initiated. It has received widespread community support and is expected to continue as long as there are large amounts of wood product wastes in the area. The project continues to find new uses for wood wastes, including dead and downed timber and left-over materials following logging operations. It is estimated there is over 25 million cords of wood wastes available in the area. The wood waste utilization project now provides mulch and livestock bedding, thereby reducing some of the air and water pollution problems that resulted from burning. In addition, it provides a new source of income.

Sangre de Cristo RC&D Area, Colorado: The Bessemer Ditch Long Span Pipe Irrigation Measure, costing about \$300,000, is over one-third completed. Progress will continue into the next year. Six associated measures were completed in fiscal year 1973.

These include:

- Custer County solid waste disposal facility
- Fremont County - location of underground water
- Aguilar, Colorado, low-income housing unit
- Las Animas County solid waste management study
- Rye, Colorado, sanitary and sewer measure.



Campus grounds subject to severe erosion were stabilized by the use of sod, seed, and mulch treatment at the Indian Hills Community College, Centerville, Iowa. Technical help was provided through the Chariton Valley RC&D Project.



Colorado River Valley RC&D Area, Colorado: Project measures completed this year include:

- Salvation Ditch Rehabilitation
- DeBeque water and sewer collection system
- Concrete ditch lining - Palmer Group
- South side range improvement
- Rifle Falls Fish Hatchery sewage facilities
- Eagle County Sanitarium
- Red Cliff sewage system
- Red Cliff water system

Eastern Hill Country RC&D Area, Texas: This project was authorized for operations in October of 1968. In this project area, a comprehensive water and sewer plan has been completed for Blanco County. The county-wide plan for rural water and sewer systems will provide a guide to county planners in working with towns and communities in planning and installation of needed systems.

Work continues on measures for roadside erosion control in Gillespie County; water-based recreation facilities in the Lake Marble Falls area; flood prevention on Comanche Creek above the city of Mason, and on Hamilton Creek above the city of Burnet.

Endless Mountains RC&D Project, Pennsylvania: Sponsors of this project, authorized for operations in July of 1968, have developed a growing community interest in the utilization of woodland resources.

An important activity was the completion of an inventory of the amount of waste wood available in the area. The study shows there is sufficient volume of this material available to support a new industry. Negotiations are now underway with a major charcoal briquette industry to be located in the area.

A new waste wood industry was started earlier this year. This industry manufactures small ignitor logs.

Progress continues to be made in the project area toward using sewage lagoon sludge of communities for spray irrigation of woodland.

The "birth of a tree" program in schools has resulted in 8,000 trees and shrubs planted on the grounds of one school.

Arkansas: Resource conservation and development activity continues to move ahead in the RC&D areas in the state of Arkansas. The following are examples of progress being made.

Ozark Foothills RC&D Area: The Fry-Kellow RC&D Measure is completed. This included 38 miles of stream improvements, 247 pipe-drop structures, four drop-inlet structures and 530 acres of vegetative plantings for erosion control. The measure included flood relief outlets for 1,200 residential lots in Walnut Ridge and Hoxie. Total cost of the measure was \$597,200 with local sponsors' share amounting to \$212,900.

The Black River Vocational Technical School began operations in February of 1973. It is located in the East Pocahontas Airport Industrial Park.

Southwest Arkansas RC&D Area: Eighteen miles of roadways in Calhoun, Dallas, Little River, Miller and Nevada Counties, needing erosion control treatment, were treated by shaping and vegetating the problem areas. This has also beautified the roadways in addition to reducing the silting that was occurring.

Work is underway on the Bragg Lake Recreation Park. Local "Green Thumb" workers are building picnic tables and developing camping areas. Sanitary facilities have also been built.

Arkansas River Valley RC&D Area: Low income and minority groups in the area have improved their standard of living through training and retraining programs, jobs for the unskilled, extension of water and sewer facilities, and expansion of low-income rural housing programs.

RESOURCE CONSERVATION AND DEVELOPMENT LOANS

The following table shows the amount of funds obligated for loan services in fiscal year 1973 and estimated for 1974 and 1975:

Agency	1973 Actual	1974 Estimate	1975 Estimate
Farmers Home Administration	\$313,233	\$203,000	\$204,000

Loan services must be provided from Resource Conservation and Development funds because the agricultural credit insurance fund of the FHA is not available for such expenses. Estimates for each fiscal year are based on the servicing workload as shown in the following table on status of loans.

Explanation	(Dollars in thousands)					
	1973 Actual		1974 Estimate		1975 Estimate	
	No.	Amount	No.	Amount	No.	Amount
1. Applications on hand at beginning of year.....	16	\$1,474	16	\$1,139	23	\$2,289
2. Applications received during year.....	32	3,200	50	5,000	50	5,000
3. Total applications for consideration during year.....	48	4,674	66	6,139	73	7,289
4. Loans obligated during year.....	27	3,285 ^{1/}	38	3,600	38	3,600
5. Loans closed during year (disbursements)	(10)	(1,201)	(29)	(3,600)	(37)	(3,600)
6. Applications withdrawn or disapproved.....	5	250	5	250	5	250
7. Applications pending at end of year.....	16	1,139	23	2,289	30	3,439
8. Loans obligated end of year (cumulative)...	155	12,108	193	15,708	231	19,308

^{1/} Obligations are not adjusted for prior year loan cancellations.

Status of Resource Conservation and Development Loans

Loans are made to eligible local sponsoring organizations, when needed to help them finance the local share of the cost of installing planned project measures in approved resource conservation and development areas. Loans encourage increased investment of private and other governmental funds in resource development.

The Appropriation Acts, beginning with fiscal year 1973, provide that loans will be made from funds available in the Farmers Home Administration agricultural credit insurance fund. Funds for loan services will continue to be provided from funds appropriated under this appropriation.

(g) Plant Materials Center

PROJECT STATEMENT

The following reflects the use of sales proceeds that were available in FY 1973 to complete construction of the Lockeford, California Plant Materials Center.

	: 1973	: 1974	: 1975
	: (actual)	: (estimate)	: (estimate)
Relocation of Plant Materials	:	:	:
Center in California:	:	:	:
Obligations.....	: 15	: ...	: ...
Unobligated balance, start of year	: -15	: ...	: ...
Unobligated balance, end of year..	: ...	: ...	: ...
Total available or estimate.....	: ...	: ...	: ...

The Pleasanton Plant Materials Center was sold to the county of Alameda, State of California on January 20, 1970, as authorized by Public Law 90-85. A new center known as the Lockeford Plant Materials Center was purchased on April 7, 1970. This center is now in full operation with all land conditioning completed, buildings constructed, and plantings established.

PASSENGER MOTOR VEHICLES

The 1975 estimates propose the purchase of 200 additional and 280 replacement passenger motor vehicles.

The passenger motor vehicles of the Soil Conservation Service are distributed among 50 state offices and Puerto Rico, 236 area offices and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D. C. The vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at field offices, job sites or other places not serviced by common carrier. Also two or more persons often are required to travel together, sometimes for long distances. The use of pickup or truck type vehicles for such trips is impractical and less safe than passenger vehicles. Resident technicians servicing farmers and ranchers in conservation districts generally do not use passenger vehicles but travel in pickup trucks to field areas to conduct surveys and to assist in preparation of conservation plans, to lay out conservation practices, and to perform other field work essential to the programs of the Service.

Passenger motor vehicles are not assigned to one individual exclusively at locations where more than one employee has need for them. This allows several employees to use a single car and minimizes the number of vehicles and maintenance costs.

On June 30, 1973, the Soil Conservation Service had 1,450 passenger cars out of a total fleet of 10,721 vehicles including pickup trucks, sedan deliveries (light trucks) and jeeps. The Service also had 15 heavy trucks and 149 special purpose vehicles at selected locations.

Purchase of Additional Passenger Motor Vehicles

Passenger motor vehicles to replace trucks:

The Service proposes to purchase 200 passenger motor vehicles in fiscal year 1975 to replace a like number of light duty, 4X2, pickup trucks. This will begin a planned gradual reduction in the number of light truck type vehicles that have reached age and mileage requirements for disposal.

These light trucks are used by field personnel in areas serviced largely by improved roads and necessitating an insignificant amount of off road travel. The small tools, planning files and other equipment used by these personnel can be transported equally as well in a passenger car as in a pickup truck. Many of these personnel work in areas of high urbanization with planning commissions, city, county and state governmental units and other local groups necessitating space in the vehicle for additional passengers when attending meetings. Certain travel is also performed on parkways and other limited highways which prohibit trucks.

In fiscal year 1973, the average cost of operating light duty pickup trucks including maintenance and depreciation, was 7.11 cents per mile compared with 6.30 cents for sedans, a savings of about .81 cents per mile. In 1973 the acquisition price for sedans averaged about \$2,400 compared to about \$2,200 for light duty pickup trucks. Cost of new sedans will likely be \$2,800 while trucks will cost about \$2,900 in 1974. Therefore, by purchasing sedans instead of light duty pickup trucks the expected cash outlay should be reduced by \$20,000.

Replacement of passenger motor vehicles

The 1975 estimates provide for the replacement of 280 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement will have passed the minimum standards of 60,000 miles or 6 years of age established by the General Services Administration or will be beyond economic repair due to accident or other causes.

The Service is continuing its effort to carry out a sound and effective replacement program. During fiscal year 1973, 132 replacements were accomplished. The 250 replacements planned for 1974 and 280 for 1975 will enable the Service to replace most vehicles over 7 years of age or 70,000 miles. Actual replacements, however, will take into consideration economy of operation and expected use factors as well as prescribed age and mileage standards.

Activity and Use of Passenger Motor Vehicles Planned for Purchase

The following table indicates the use and number of passenger motor vehicles proposed for purchase and replacement during the fiscal year 1975:

Activity and Use	Proposed Additional Purchases (To Replace Trucks)	Scheduled for Replacement
<u>Conservation Operations</u> - For use by Area Conservationists, District Conservationists, technical specialists, survey supervisors, and State Office personnel.....	140	175
<u>Watershed Planning</u> - For use by watershed planning party leaders and technical specialists assisting local sponsors prepare watershed work plans.....	10	20
<u>River Basin Surveys and Investigations</u> - For use by river basin survey coordinators and staff members in conducting river basin surveys and investigations	- -	20
<u>Watershed Works of Improvement</u> - For use by Assistant State Conservationists for watershed and by technical specialists in supervising installation of works of improvement in authorized projects and negotiating with local sponsors.....	25	30
<u>Flood Prevention</u> - For use by technicians in planning and installing works of improvement in the 10 uncompleted authorized projects.....	7	16
<u>Resource Conservation and Development</u> - For use by project coordinators and project staff members assisting local sponsors prepare work plans and carry out planned resource conservation and development work in coordination with ongoing programs in approved project areas.....	18	19
Total.....	200	280

The Soil Conservation Service had 1,450 passenger motor vehicles on hand on June 30, 1973. Age and mileage data for these vehicles are as follows:

<u>Model</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (Thousands)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1964	13	.9	over 100	19	1.3
1965	28	1.9	80-100	118	8.1
1966	56	3.9	60-80	194	13.4
1967	109	7.5	50-60	129	8.9
1968	159	11.0	40-50	148	10.2
1969	140	10.0	30-40	182	12.5
1970	153	10.6	20-30	208	14.3
1971	337	23.2	10-20	271	18.7
1972	346	23.9	1-10	141	9.7
1973	109	7.1	under 1	40	2.9
Totals	<u>1,450</u>	<u>100.0</u>		<u>1,450</u>	<u>100.0</u>

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The efforts of the Food and Nutrition Service are directed at eliminating hunger and malnutrition in this country. Food assistance programs provide access to a nutritionally adequate diet for families and persons with low incomes and encourage better eating patterns among the nation's children. The Food and Nutrition Service administers the following programs.

Child Nutrition Programs. Working through State agencies, the Food and Nutrition Service provides Federal assistance in cash and commodities for use in preparing and serving nutritious meals to children while attending school, residing in service institutions or participating in other organized activities away from home. The purpose is to help maintain the health and proper physical development of American children. The child nutrition package includes the National School Lunch Program, the School Breakfast Program and the meal programs for non-school activities. Grants are also made for food service equipment assistance, nutritional training and surveys, and for State administrative expenses. These programs are financed by the child nutrition appropriation; with cash and commodities made available from Section 32; and with donated commodities made available by the Commodity Credit Corporation under Section 416 of the Agricultural Act of 1949, as amended.

Special Milk Program. Federal assistance is given to States to reimburse eligible schools and child-care institutions which inaugurate or expand milk services in order to increase the consumption of fluid milk by children. Funds for this program are provided by direct appropriation.

Food Stamp Program. In cooperation with the State social service agencies, the Food and Nutrition Service helps persons and families with low incomes to obtain a nutritionally adequate diet through regular retail food stores. Food stamps with a face value higher than the cash paid are issued to participating households. Those with no income receive their stamps free and in no instance does the charge exceed 30 percent of income. Funds for this program are provided by direct appropriation.

Direct Distribution of Commodities. Also in cooperation with the State social service agencies, packaged food is distributed to low-income families to help improve their diets. In addition, commodities are distributed to eligible non-profit residential institutions in order to help improve the diets of needy residents. The program is carried out with cash and commodities made available from Section 32 and with commodities donated by CCC under Section 416.

Women, Infants and Children Program (WIC). This pilot program provides cash grants to make supplemental foods available to pregnant and lactating women, infants and children up to four years of age. Delivery may be done through health clinics, vouchers redeemable at retail food stores, or other approved method which a cooperating State health agency may select.

Field operations are carried out by FNS employees located in five regional offices and approximately 300 field locations. Their responsibility is to work cooperatively with State and local authorities in effective administration of the total Federal, State and local food assistance effort.

Available Funds and Man-Years
1973 and Estimated 1974 and 1975

Item	Actual 1973		Available 1974		Budget Estimate 1975	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Food and Nutrition Service:						
Child Nutrition Programs <u>a/</u>	\$596,453,739 ^{b/}	320	\$761,214,000 ^{c/}	341	\$1,347,955,000	356
Special Milk Program.....	97,123,000 ^{d/}	50	97,123,000 ^{e/}	48	120,000,000	48
Food Stamp Program.....	2,495,653,575	1,449	2,495,367,000 ^{f/}	1,487	3,984,919,000 ^{g/}	1,742
Allotment from Removal of Surplus:						
Agricultural Commodities						
(Section 32).....	555,448,425	248	549,384,000 ^{h/}	257	138,203,000	237
Total, Food and Nutrition Service.....	3,744,678,739	2,067	3,903,088,000	2,133	5,591,077,000	2,383

	1973 <u>Actual</u>	1974 <u>Estimated</u>	1975 <u>Estimated</u>
End-of-Year Employment:			
Permanent full-time.....	1,989	1,968	2,217
Other.....	57	22	22
Total.....	<u>2,046</u>	<u>1,990</u>	<u>2,239</u>

a/ Includes transfers from Section 32 in lieu of direct appropriation as follows: 1973, \$119,165,000; 1974, \$199,631,000; estimated 1975, \$705,926,000.

b/ Excludes \$10,826,598 carryover from FY 1972.

c/ Excludes \$71,500,000 supplemental, \$26,413,138 carryover from FY 1973, and GSA rent transfer of \$29,000.

d/ Excludes \$1,949,068 carryover from FY 1972.

e/ Excludes \$2,033,009 carryover from FY 1973.

f/ Excludes \$500,000,000 supplemental, OIG transfer \$4,534,000 (transfer of \$284,000 for January and October pay costs requires congressional action) and GSA rent transfer of \$99,000.

g/ Excludes OIG transfer \$5,081,000.

h/ Excludes supplemental of \$15,000,000 for free and reduced price lunches.

The following table reflects the Food Assistance Programs under all funds available to the Department of Agriculture

Food Assistance Programs-Fiscal Years 1973-1975
(Program Level-Dollars in Thousands)

Program	1973 Actual	1974 Current Estimate	1975 Budget Estimate	1974 Estimate Compared with 1975 Estimate
A. CHILD NUTRITION PROGRAMS:				
1. Cash Grants to States:				
(a) School lunch (Section 4):				
Child Nutrition Programs	225,747	412,000 a/	420,000	+8,000
Special Feeding Program (Section 32)	98,373			
Subtotal	324,120	412,000	420,000	+8,000
(b) Free and Reduced Price Lunches:				
Child Nutrition Programs	237,015	240,566	728,000	+487,434
Special Feeding Program (Section 32)	318,292	440,960 b/		-440,960
Subtotal	555,307	681,526	728,000	+46,474
(c) School Breakfast:				
Child Nutrition Programs	18,239	70,119 c/	77,000	+6,881
Special Feeding Program (Section 32)	18,764			
Subtotal	37,003	70,119	77,000	+6,881
(d) Nonfood Assistance:				
Child Nutrition Programs	14,980	28,110	22,000	-6,110
Special Feeding Program (Section 32)	1,052			
Subtotal	16,032	28,110	22,000	-6,110
(e) State Administrative Expenses:				
Child Nutrition Programs	1,500	1,800	6,700	+4,900
Special Feeding Program (Section 32)	1,972	2,000		-2,000
Subtotal	3,472	3,800	6,700	+2,900
(f) Nonschool Food Program:				
Child Nutrition Programs	16,664	33,316	20,000	-13,316
Special Feeding Program (Section 32)	37,434	60,600	89,600	+29,000
Subtotal	54,098	93,916	109,600	+15,684
(g) Cash in Lieu of Commodities (Section 32):				
Total, Cash Grants to States	1,060,829	1,289,471	1,363,300	+73,829
Total, Direct	(514,145)	(785,911)	(1,273,700)	(+487,789)
Total, Section 32	(546,684)	(503,560)	(89,600)	(-413,960)
2. Commodities to States:				
(a) Section 6	63,733	64,325	64,325	---
(b) Section 32	55,462	110,375	96,572	-13,803
(c) Section 416	125,372	139,000	129,103	-9,897
Total, Commodities	244,567	313,700	290,000	-23,700
3. Nutritional Training and Surveys	734	1,000	1,000	---
4. Federal Operating Expenses	6,652	7,891	8,930	+1,039
a/ Total, Child Nutrition Programs	1,312,782	1,612,062	1,663,230	+51,168
b/ Includes supplemental of \$86,500.				

b/ Includes proposed supplemental of \$15 million in Section 32 funds.

c/ Includes proposed supplemental of \$7.5 million.

Program	1973 Actual	1974 Current Estimate	1975 Budget Estimate	1974 Estimate Compared with 1975 Estimate
B. SPECIAL MILK PROGRAM:				
1. Cash Payments	94,767	98,360	119,170	+20,810
2. Operating Expenses	732	796	830	+34
Total, Special Milk Program	95,499	99,156	120,000	+20,844
C. FOOD STAMP PROGRAM:				
1. Program Costs	2,472,286	2,966,971	3,950,419	+983,448
2. Operating Expenses	23,368	28,396	34,500	+6,104
Total, Food Stamp Program	2,495,654	2,995,367 a/	3,984,919	+989,552
D. DIRECT DISTRIBUTION TO FAMILIES:				
1. Section 32 Commodities	110,146	143,453	29,705	-113,748
2. Section 416 Commodities	96,263	76,684	11,754	-64,930
3. Financial Assistance to States (Section 32) ..	16,266	14,000	2,000	-12,000
4. Special Package Program (Section 32)	13,644	11,900	15,000	+3,100
Total, Direct Distribution to Families	236,319	246,037	58,459	-187,578
E. DIRECT DISTRIBUTION TO INSTITUTIONS:				
1. Section 32 Commodities	1,856	---	---	---
2. Section 416 Commodities	22,367	18,864	16,035	-2,829
Total, Direct Dist. to Institutions	24,223	18,864	16,035	-2,829
F. SPECIAL SUPPLEMENTAL FOOD PROGRAM (Section 32):				
1. WIC	30	40,600	40,800	+200
2. Pilot Certificate Program	992	1,000	1,000	---
Total, Supplemental Food Program	1,022	41,600	41,800	+200
G. SECTION 32 OPERATING EXPENSES:				
1. Food and Nutrition Service	4,367	4,824	4,403	-421
2. Agricultural Marketing Service	3,450	3,374	3,395	+21
Total, Section 32 Operating Expenses	7,817	8,198	7,798	-400
H. NUTRITION EDUCATION (Extension Service excluding Administrative Expenses)				
TOTAL, FOOD ASSISTANCE	48,560	47,360	47,360	---
RECAPITULATION:				
Direct Appropriation (including transfers authorized in annual appropriation Acts)	4,221,876	5,068,644	5,939,601	870,957
Special Feeding Program (Section 32)	3,224,977	4,001,010	5,500,234	+1,499,224
Section 32 (Commodities and related expenses)	476,909	545,160	131,400	-413,760
Section 416 Commodities	275,988	287,926	151,075	-136,851
TOTAL	244,002	234,548	156,892	-77,656
TOTAL	4,221,876	5,068,644	5,939,601	+870,957

a/ Includes supplemental of \$500 million.

* Special Feeding Program 1974 Appropriations Act \$508,560,000
Increased authorization for WICC program 20,000,000
Administrative Expenses for WIC 600,000
Pilot Food Certificate 1,000,000
Supplemental Proposed for Fiscal Year 1974 15,000,000
Special Feeding Program (as shown above) 545,160,000

Child Nutrition Programs

	Appropriation	Transfer from Section 32 Funds	Total
Appropriation Act, 1974	\$561,612,000	\$199,631,000	\$761,243,000
Budget Estimate, 1975	642,029,000	705,926,000	1,347,955,000
Change in Appropriation and transfer from Section 32	+80,417,000	+506,295,000	+586,712,000
Adjustments in 1974:			
Appropriation Act, 1974	561,612,000	199,631,000	761,243,000
Transfer to General Services Administration for rental of space	-29,000	---	-29,000
Adjusted base for 1975	561,583,000	199,631,000	761,214,000
Budget Estimate, 1975	642,029,000	705,926,000	1,347,955,000
Increase in program level	+80,446,000	+506,295,000	+586,741,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974	Program Changes	1975 Estimate
Cash payments to States:			
(a) School lunch program	\$348,000,000 1/	+\$72,000,000	\$420,000,000
(b) Special assistance	237,040,000	+490,960,000	728,000,000
(c) School breakfast	60,000,000 2/	+ 17,000,000	77,000,000
(d) Nonfood assistance	22,110,000	-110,000	22,000,000
(e) State administrative expenses	1,500,000	+ 5,200,000	6,700,000
(f) Nonschool food program	20,000,000	---	20,000,000
Subtotal	688,650,000	+585,050,000	1,273,700,000
Commodity procurement	64,325,000	---	64,325,000
Nutritional training and surveys	1,000,000	---	1,000,000
Operating expenses:			
GSA space rental costs	---	+385,000	385,000
Annualization of the pay cost increase effective in FY 1974	220,000	+110,000	330,000
Other operating expenses	7,019,000	+1,196,000	8,215,000
Subtotal	7,239,000	+1,691,000	8,930,000
Total	761,214,000	+586,741,000	1,347,955,000

1/ Excludes proposed supplemental of \$64 million.

2/ Excludes proposed supplemental of \$7.5 million.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Inc. or Dec. Program Changes	1975 (estimated)
1. Cash payments to States:				
(a) School lunch	\$225,747,000	\$348,000,000 1/	+\$ 72,000,000(1)	\$ 420,000,000
(b) Special assistance	237,047,000	237,040,000	+ 490,960,000(2)	728,000,000
(c) School breakfast	18,500,000	60,000,000 2/	+ 17,000,000(3)	77,000,000
(d) Nonfood assistance	21,000,000	22,110,000	- 110,000(4)	22,000,000
(e) State adm. expenses	1,500,000	1,500,000	+ 5,200,000(5)	6,700,000
(f) Nonschool food program	20,775,000	20,000,000	--- (6)	20,000,000
Subtotal	524,569,000	688,650,000	+ 585,050,000	1,273,700,000
2. Commodity procurement	64,325,000	64,325,000	---	64,325,000
3. Nutritional training and surveys	1,000,000	1,000,000	---	1,000,000
4. Operating expenses	6,559,739	7,239,000	+ 1,691,000(7)	8,930,000
Total available or estimate	596,453,739	761,214,000	+ 586,741,000	1,347,955,000
Transferred to GSA	+7,261	+29,000		
Total, appropriation	596,461,000	761,243,000		

1/ Excludes proposed supplemental of \$64 million.

2/ Excludes proposed supplemental of \$7.5 million.

This project statement shows an increase of \$586,741,000 in the direct appropriation. This increase is partially offset by a decrease of \$398,960,000 in Section 32 special feeding funds and a decrease of \$26,413,000 in the use of carryover funds. Total funding, exclusive of supplemental appropriations in 1974, is increased by \$161,368,000 as outlined in the program level table below.

* * * * *

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 (estimated)	Inc. or Dec. Program Changes	1975 (estimated)
1. Cash payments to States:				
(a) School lunch	\$225,746,998	\$348,000,000	a/ +\$ 72,000,000	\$420,000,000
(b) Special assistance	237,015,165	240,565,786	+ 487,434,214	728,000,000
(c) School breakfast	18,238,724	62,618,722	b/ + 14,381,278	77,000,000
(d) Nonfood assistance	14,980,121	28,110,000	- 6,110,000	22,000,000
(e) State adm. expenses	1,500,000	1,800,000	+ 4,900,000	6,700,000
(f) Nonschool food program ..	16,663,431	33,316,630	- 13,316,630	20,000,000
Subtotal	514,144,439	714,411,138	+ 559,288,862	1,273,700,000
2. Commodity procurement	63,733,380	64,325,000	---	64,325,000
3. Nutritional training and surveys	733,904	1,000,000	---	1,000,000
4. Operating expenses	6,652,182	7,891,000	+ 1,039,000	8,930,000
Total obligations	585,263,905	787,627,138	+ 560,327,862	1,347,955,000
Unobligated balance:				
Available, start of year	-10,826,598	-26,413,138	c/ + 26,413,138	---
Available, end of year	22,016,432	---	---	---
Total, appropriation	596,453,739	761,214,000	+ 586,741,000	1,347,955,000

a/ Excludes proposed supplemental of \$64 million.

b/ Excludes proposed supplemental of \$7.5 million.

c/ Includes \$4,396,706 recovered from prior years.

* * * * *

The following table reflects the estimated program level for the child nutrition programs for fiscal years 1974 and 1975 from the (1) direct appropriation plus (2) carryover balances and the (3) supplementary funding for cash assistance from the Section 32 special feeding item.

Child Nutrition Programs 1974 and 1975
(Program level - Dollars in thousands)

Project	1974	Increase or Decrease	1975
1. Cash payments to States:			
(a) School lunch program	\$ 348,000	1/ +\$72,000 (1)	\$ 420,000
(b) Special assistance	666,526	2/ + 61,474 (2)	728,000
(c) School breakfast	62,619	3/ + 14,381 (3)	77,000
(d) Nonfood assistance	28,110	- 6,110 (4)	22,000
(e) State administrative expenses	3,800	+ 2,900 (5)	6,700
(f) Nonschool food program	93,916	+ 15,684 (6)	109,600
Subtotal	1,202,971	+160,329	1,363,300
2. Commodity procurement	64,325	---	64,325
3. Nutritional training and surveys	1,000	---	1,000
4. Operating expenses	7,891	+ 1,039 (7)	8,930
Total	1,276,187	+161,368	1,437,555

1/ Excludes proposed supplemental of \$64 million.

2/ Excludes proposed supplemental of \$15 million in Section 32 funds.

3/ Excludes proposed supplemental of \$7.5 million.

EXPLANATION OF PROGRAM

The Child Nutrition appropriation of the Food and Nutrition Service funds the activities authorized by the National School Lunch Act, as amended, and the Child Nutrition Act of 1966, as amended. The Food and Nutrition Service administers the following programs:

General cash-for-food assistance for lunches. The program makes funds available to reimburse participating schools for a portion of the food cost of lunches served to children. Public Law 93-150, enacted November 7, 1973, authorizes a reimbursement rate of 10 cents per lunch with provision for a semi-annual adjustment in the rate based on changes in the Bureau of Labor Statistics Consumer Price Index for the cost of food away from home. A five percent increase in the Index took place September through November, 1973, which triggered an increase to 10.5 cents January 1, 1974.

Special cash assistance for free and reduced price lunches. These funds are used to provide for additional reimbursement to schools for free and reduced price lunches served to needy children. Public Law 93-150 increased the reimbursement rate for these lunches to at least 45 cents for free lunches and 10 cents less for reduced price lunches. The Consumer Price Index adjuster also applies to rates for these lunches.

School breakfast program. This program provides assistance to States through grants-in-aid and other means to initiate, maintain, or expand nonprofit breakfast programs in schools. Public Law 92-433 made the program available to all schools desiring to participate. Public Law 93-150 removed the requirement that program reimbursement be tied to the cost of obtaining food and increased the reimbursement rates to 8 cents for paid breakfasts, 23 cents for reduced price breakfasts, and 28 cents for free breakfasts. In cases of severe need, a payment of up to 45 cents may be made for each free breakfast.

Nonfood assistance program. The Food and Nutrition Service's goal is to make food service available to all children, especially needy children. The nonfood assistance program makes funds available to States to supply schools in low-income areas with food service equipment, other than land or buildings. Fifty percent of the funds are reserved for use in schools without food service.

State administrative expenses for child feeding programs. These funds are used for supervising and giving technical assistance to the local school districts and service institutions in the management of their food service programs. Effective January 1, 1974, the Food and Nutrition Service assumed responsibility for funding feeding programs in all Head Start programs.

Nonschool food program. This program provides cash assistance for food service for children in nonresidential group activities, including day-care centers, settlement houses, and summer recreation centers that care for children from low-income areas, or from areas with many working mothers. The program is divided into year-round and summer programs. On January 1, 1974, previously non-USDA funded Head Start programs were added to the year-round nonschool food program.

Commodity procurement (Section 6). Purchase of commodities under Section 6 of the National School Lunch Act provides additional commodities to schools to supplement foods purchased locally or made available under other USDA commodity programs to the lunch program. It is estimated that the value of all donated commodities will be seven cents per lunch in the schools, with additional support for the breakfast and nonschool programs. As amended by P.L. 91-248, these commodities may also be used to supplement the school breakfast and nonschool food programs.

Nutritional surveys, evaluation and training service.

Nutritional training and education of workers, cooperators, and participants supplements the nutritional benefits of the feeding programs; necessary surveys and studies of requirements for feeding programs are funded. In FY 1975, the Food and Nutrition Service will initiate projects in the areas of program evaluation and State nutrition education. Major studies will assess the size of program target groups and analyze program interrelationships.

Administrative support for child nutrition programs. **Child Nutrition**

Federal operating expenses provide funds for the overall administration of the Child Nutrition programs including regulatory and policy formulation, program development and appraisal, allocation of funds, audit and administrative reviews, and efforts to extend the program to needy schools in both metropolitan centers and rural areas. Administrative and technical assistance is provided to State agencies, participating schools and child care institutions. The programs are administered directly in private schools to which the State educational agency is prohibited by law from disbursing funds, and in child care institutions where no State agency has assumed the responsibility for administering the program.

JUSTIFICATION OF INCREASES

In recent years funds have been authorized from Section 32 to supplement, as necessary, the funds provided by direct appropriations for the various child nutrition programs. The need for special Section 32 funds was eliminated for the Section 4 school lunch and breakfast programs by the enactment of Public Law 92-433 which provided for funding on a performance basis. Public Law 93-150 provided that Section 11, special assistance for free and reduced price lunches, will also be on a performance funding basis and, therefore, will not require special Section 32 funds. Federal funds directly appropriated for the general purposes of the other sections of the National School Lunch and Child Nutrition Acts (as reflected on the project statement on the basis of adjusted appropriations) are distributed to the States by the formula applicable to that particular section. Supplementary funds such as special Section 32 are distributed to the States within the provisions, limitations or intent of such appropriations, which are generally on the basis of need. The increases reflect current estimates of participation and present reimbursement rates. To cover the cost of higher reimbursement rates, the budget contains a proposed supplemental appropriation of \$86,500,000 for FY 1974.

(1) An increase of \$72,000,000 in appropriations for general cash-for-food assistance for lunches.

Of this increase, \$64,000,000 would be provided by enactment of the proposed supplemental for FY 1974. Although approximately 2,000 additional schools will be added to the program in FY 1975, there has been a steady enrollment decline in the higher-participating elementary schools. The total number of meals served, therefore, is expected to remain level at 4 billion in fiscal years 1974 and 1975 serving an estimated 24.1 million participating children daily. The increase in funding is due to the higher reimbursement rates enacted in P.L. 93-150, and the annualization of the first adjustment required by the 5 percent increase in the Bureau of Labor Statistics Consumer Price Index for the cost of food away from home from September through November 1973. No further increase in the Index is assumed.

(2) An increase of \$61,474,000 for special cash assistance to needy children as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriations	\$237,040,000	\$728,000,000	\$+490,960,000
Special feeding authorizations in Section 32	425,960,000	- -	-425,960,000
Carryover of unused prior years funds	<u>3,526,000</u>	<u>- -</u>	<u>-3,526,000</u>
Program level	<u>666,526,000</u>	<u>728,000,000</u>	<u>+61,474,000</u>

The proposed supplemental appropriation for FY 1974 would provide an additional \$15 million in Section 32 funds. Public Law 93-150, effective November 7, 1973, placed this "Section 11" program on a performance basis, with reimbursement depending directly on the number of lunches served. Previously, the appropriation was allocated to the States by formula and additional allocations were made on the basis of need from Section 32 supplementary funds. The performance funding basis removes the need for Section 32 funds in fiscal year 1975. The net increase is due to: (1) an estimated rise in the number of free lunches from 1,440 million to 1,510 million, and reduced-priced lunches remain at 40 million and (2) annualization of the 5 percent increase in these rates required by the change in the Consumer Price Index for food away from home in fiscal year 1974. This would represent an increase in average daily participation from 8.9 million to 9.3 million needy children in 1975. The addition of about 2,000 new schools would primarily account for this increase. Rates are computed as 47.25 cents for free lunches and 37.25 cents for reduced-price lunches. Free lunches represent 37.75 percent and reduced-price lunches represent one percent of all lunches served.

(3) An increase of \$14,381,000 for the school breakfast program as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriations	\$60,000,000	\$77,000,000	+\$17,000,000
Carryover of unused prior years funds	<u>2,619,000</u>	<u>- -</u>	<u>-2,619,000</u>
Program level	<u>62,619,000</u>	<u>77,000,000</u>	<u>+14,381,000</u>

The proposed supplemental appropriation for FY 1974 would provide \$7,500,000 of this increase. The increase in funding reflects increased participation combined with annualization of the higher reimbursement rates enacted in P.L. 93-150, including a 5 percent increase due to the Consumer Price Index adjustor. An estimated 275 million breakfasts will be served to 1.7 million children, up from an estimated 255 million breakfasts in FY 1974. An estimated fifteen percent of the total, or 41 million meals, will be served in especially needy schools at an estimated average reimbursement rate of 42 cents. The consumer price adjustor also applies to the reimbursement rate for breakfasts. Forty three million meals will be reimbursed at the adjusted regular rate of 8.5 cents. Six million reduced-price breakfasts will be reimbursed at 24.25 cents each, and 185 million free breakfasts will be reimbursed at 29.5 cents each. All schools requesting the program must be approved; therefore, 1,000 additional schools are expected to join the program in 1975.

(4) A decrease of \$6,110,000 for the equipment assistance program as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriations	\$22,110,000	\$22,000,000	-\$110,000
Carryover of unused prior years funds	<u>6,000,000</u>	<u>- -</u>	<u>-6,000,000</u>
Program level	<u>28,110,000</u>	<u>22,000,000</u>	<u>-6,110,000</u>

Approximately 2,124 schools without a food service program will be equipped in fiscal year 1975 at an average Federal cost of \$5,180 per school. In addition, over 7,143 participating schools will be granted assistance to maintain and replace existing equipment to improve their food service. Federal cost for these schools will average about \$1,540 per school. Total equipment assistance costs will be \$22 million: \$11 million for no-program schools and \$11 million for those already partially equipped.

(5) An increase of \$2,900,000 for State administrative expenses as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriations	\$1,500,000	\$6,700,000	+\$5,200,000
Special feeding authorizations in Section 32	<u>2,000,000</u>	<u>- -</u>	<u>-2,000,000</u>
Carryover of unused prior years funds	<u>300,000</u>	<u>- -</u>	<u>-300,000</u>
	<u>3,800,000</u>	<u>6,700,000</u>	<u>+2,900,000</u>

Effective January 1, 1974, previously HEW funded Head Start programs were added to the USDA year-round nonschool food program. This added workload, when considered in addition to increased program complexity due to four significant Public Laws in four years, makes increased support of State administrative expenses vitally necessary. The last increase for State support was in FY 1971. With the increased level of funding, State agencies will hire new personnel to undertake additional activities aimed at starting school lunch and breakfast programs in no-program schools, improving the use of nonfood assistance funds in starting such programs, and enhancing the effectiveness of Federal funds in reaching needy children in existing child nutrition programs in schools and service institutions.

(6) An increase of \$15,684,000 for the nonschool food program as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriation	\$20,000,000	\$20,000,000	- -
Special feeding authorization in Section 32	60,600,000	89,600,000	+29,000,000
Carryover of unused prior years balances .	<u>13,316,000</u>	<u>- -</u>	<u>-13,316,000</u>
Program level	93,916,000	109,600,000	+15,684,000

Thirteen million dollars in 1973 carryover funds were used to finance previously non-USDA funded Head Start programs in FY 1974. Twenty-five million dollars will fund Head Start feeding programs for one year in 1975 for 139 million meals at 18 cents per meal. The remaining \$3.7 million will fund increased participation for an estimated 37 thousand children in other year-round programs on an annual basis. In fiscal year 1975, an estimated 126 million meals will be served to 2.1 million children in the summer program and 328 million meals will be served to 559 thousand children in the year-round program. The estimated average cost per child per day is 50 cents in the summer program and 43.2 cents in the year-round program.

(7) An increase of \$1,039,000 for Federal operating expenses as follows:

	<u>1974</u>	<u>1975</u>	<u>Change</u>
Appropriation	\$7,239,000	\$8,930,000	+\$1,691,000
Carryover of unused prior years funds	<u>652,000</u>	<u>- -</u>	<u>-652,000</u>
Program level	<u>7,891,000</u>	<u>8,930,000</u>	<u>+1,039,000</u>

The increase is distributed as follows:

GSA space rental costs	\$+385,000
Annualization of pay cost increases effective in fiscal year 1974	+110,000
All other	+544,000

The increase of \$544,000 for "All other" is broken down as follows:

(1) An increase of \$100,000 for administration of the Head Start Program. This increase is to annualize the cost of employees hired in fiscal year 1974.

(2) An increase of \$220,000 to annualize the cost of employees hired in fiscal year 1974 for: (a) the ADP model payment system for States; (b) the drive to reach the hard-core of no-program schools; (c) improving funds control; (d) improving the analysis of administrative review data; and (e) the comprehensive study of child nutrition programs with supporting cost benefit analysis.

(3) An increase of \$224,000 to annualize year-end costs other than pay costs.

STATUS OF PROGRAM

Child Nutrition Programs

The primary objective of the child nutrition programs is to safeguard the health and well-being of the Nation's children by assisting nonprofit schools and service institutions in providing well-balanced meals. During 1973, the programs continued to expand, particularly as USDA and the States continued efforts to extend the National School Lunch Program to schools without food service. The school breakfast program was made available by law to all schools that request it, and continued priority was given to efforts to provide free and reduced price meals to needy children. Discussion of child nutrition program activities includes work under funds allocated from the "Special Feeding Program" under Section 32.

New legislation enacted in the last few years has significantly strengthened and expanded the child nutrition programs. Public Law 91-248, enacted in May 1970, greatly increased emphasis on providing program benefits to needy children. The law authorized national minimum eligibility standards for free and reduced price meals and placed certain related requirements on schools such as sending applications to all parents and establishing fair hearing procedures. It also authorized funds for nutritional training and studies and surveys and required that State revenue be used for part of the National School Lunch Program's provision on State and local matching requirements.

The law further required State agencies to submit annual plans of operations showing, among other things, how they plan to extend lunch programs to every school within the State.

Public Law 92-153, enacted November 5, 1971, increased Federal support for the National School Lunch Program and guaranteed certain rates of Federal payments. These guaranteed rates were an average of six cents for all lunches served and an additional minimum payment based on 40 cents for free and reduced price lunches served to eligible children.

Public Law 92-433, enacted in September 1972, placed Section 4 general cash assistance on a "performance funding" basis by eliminating the statutory apportionment formula for Section 4 and by authorizing the allocation of Section 4 funds among States solely on their performance in serving lunches, with an eight cent Statewide average payment guaranteed for each lunch served. The law extended the "performance funding" concept also to the school breakfast program starting in fiscal 1974, and made the program available to all schools that request it. The law placed maximum limits on eligibility levels for free and reduced price meals of up to 125 percent of the national minimum standards for free meals and up to 150 percent for reduced price meals. To assist in efforts to extend programs to schools without food service, the law reserved 50 percent of appropriated nonfood (equipment) assistance funds for exclusive use in schools without food service and required USDA to survey States and report to Congress on unmet food service equipment needs. This survey was conducted at the school district level and required the collection and tabulation of over 30,000 detailed forms. A preliminary report was sent to Congress on June 29, 1973.

Public Law 93-150, enacted in November 1973, extended the performance funding concept to Section 11 special cash assistance funds and provided for Federal payments of at least 45 cents for free lunches and an average of 10 cents less for reduced price lunches. It increased Section 4 Federal payments to 10 cents and also increased average Federal payments under the school breakfast program. It provided for the average rates of Federal payments under the lunch and breakfast programs to be adjusted semi-annually to reflect changes in the Consumer Price Index for food away from home. It authorized cash payments to make up shortages in distribution of donated foods for the child nutrition programs, and it directed the Secretary to conduct a comprehensive study of the programs and report to Congress by June 30, 1974.

The National Advisory Council on Child Nutrition, authorized by Public Law 91-248, submitted its second annual report to the President and Congress in March 1973. The Council recommended increasing nutrition education efforts and reaching schools without food service.

During 1973, a uniform accounting manual for school food service systems was developed and tested by USDA. This project involved a contract with a private firm. The handbook is now available for voluntary implementation by school districts across the nation. Use of the handbook is being encouraged to assist local school districts in managing their food programs and to provide more uniform and reliable data for program accountability and planning purposes.

Current activities and trends:

1. Furnishing cash assistance to States:

All the child nutrition programs are jointly administered by the Department of Agriculture and State educational agencies. Cash assistance is provided for the programs as follows:

A. National school lunch program

The National School Lunch Act of 1946 authorized Federal assistance to help States and schools serve nutritious lunches to children at school. Section 4 of the Act makes general cash assistance funds available through State educational agencies to schools for a portion of the food cost of all lunches served to children. Section 11 of the Act provides additional assistance for free and reduced price lunches served to needy children.

Starting in fiscal year 1974, all program funds are distributed among the States on a performance funding basis, with States guaranteed certain average rates of Federal payments for all lunches served. State agencies may vary rates within the States based on the need of individual schools, and especially needy schools may receive up to 100 percent of the cost of providing free and reduced price lunches. During the first half of fiscal year 1974, the average Federal rate under Section 4 was 10 cents for all lunches served, and the average Federal rates under Section 11 were 45 cents for free lunches and 35 cents for reduced price lunches. These average rates are adjusted semi-annually based on changes in the Consumer Price Index for food away from home. In fiscal year 1973, when funds were allocated on a combination apportionment formula/guaranteed rate basis, average Federal payments were eight cents under Section 4 and 40 cents under Section 11.

In return for the Federal assistance, schools must agree to:

- Operate on a nonprofit basis and observe limitations on use of program funds;
- Serve lunches meeting minimum nutritional requirements prescribed by the Secretary of Agriculture;
- Offer lunch to all children attending school;
- Provide lunches free to children from families with incomes below the minimum income poverty guidelines set by the Secretary which in fiscal year 1974 were \$4,250 annually for a family of four (States and schools may set higher standards for free lunches of up to 125 percent of the Secretary's minimum guidelines, and schools may choose to serve reduced price lunches with standards that go up to 150 percent of the Secretary's minimum guidelines--under Public Law 93-150, for FY 1974 only, the maximum is 175 percent for reduced price lunches);

- Permit no discrimination against any child because of his inability to pay the full price;
- Comply with all requirements of the Civil Rights Act and related regulations for the program;
- Purchase commodities designated as being in abundance by the Department and accept and use, to the extent possible, foods donated by the Department; and
- Maintain full, accurate records of their lunch programs.

The Food and Nutrition Service also pays funds directly to over 1,700 participating private schools in 19 States. This is done when State laws forbid disbursement of Federal funds by State agencies to private schools (a proportionate share of the State's total apportionment is set aside for this purpose).

During 1973 FNS had two major projects underway which will affect program participation. First, recognizing the need to increase student participation in program schools, FNS conducted a study to isolate factors responsible for high and low participation in secondary schools and to test ways to increase the participation of high school students. The results of the study were released in the Fall of 1973 and State agencies began similar projects in low participation high schools in their States.

Second, FNS and State agencies continued the nationwide drive launched in August 1972 to extend the child nutrition programs to schools without food service. Numerous workshops, meetings, mass mailings and other efforts were conducted to identify eligible schools without food service and encourage them to participate. Voluntary organizations such as the Jaycees, the American Legion, and the Council for American Private Education lent their support to the drive.

As a result of these efforts, about 3,000 additional schools entered the program during fiscal year 1973 bringing the total number of participating schools to 86,390. This has contributed to raising the peak number of participating children to 25.1 million who were served over four billion lunches--an increase of 1.4 percent over the lunches served in FY 1972. More dramatic has been the increase in the number of free and reduced price lunches served to needy children. The 1,399 million free and reduced price lunches served in fiscal year 1973 represented an increase of 8.9 percent over the previous year. Of the 4,027 million total lunches served in fiscal year 1973, 34.7 percent were free or reduced price lunches, compared with 32.4 percent in fiscal year 1972. The 9.0 million needy participating children in March 1973 represented the highest number ever reached.

B. School breakfast program

The Child Nutrition Act of 1966 authorized on a two year pilot basis a program to provide assistance to schools for serving breakfast to children. Legislation since then has extended the program through fiscal year 1975, made requirements for providing free and reduced price breakfasts under the program identical to requirements under the National School Lunch Program, and placed distribution of program funds on a performance funding basis. The program originally was limited to schools in low-income areas and areas where children must travel long distances to school. Legislation in September 1972 made the program available to all schools requesting it.

Public Law 93-150, enacted in November 1973, increased breakfast program average Federal payments to eight cents for paid breakfasts, 23 cents for reduced price breakfasts and 28 cents for free breakfasts. Additional Federal assistance to pay up to 100 percent of operating costs for free

breakfasts, not to exceed 45 cents, is provided in especially needy situations.

During 1973, the number of schools participating in the program increased from 7,865 to 9,881, and the number of participating children increased from 1.14 million to 1.32 million, or 16 percent. A total of 195 million breakfasts were served, an increase of 15 percent over fiscal year 1972. The program continued to primarily benefit needy children with 82.1 percent of the breakfasts being served free or at reduced prices.

C. Nonfood assistance

The Child Nutrition Act of 1966 authorized a program of cash assistance to help schools in low-income areas acquire food service equipment, other than land or buildings, to establish, maintain, or expand food service programs. State and local sources must bear 25 percent of the cost of the equipment. Under Public Law 92-433, this requirement may be met on a Statewide average basis and may be waived in the case of especially needy schools without food service. Public Law 92-433 also reserved 50 percent of all nonfood assistance funds for exclusive use in needy schools without food service. Half the program funds are allocated among States based on enrollment in schools without food service, and the remaining half are allocated based on the number of lunches served in each State.

A survey in October 1972 showed that 17,700 eligible schools with five million children enrolled were without food service programs.

In fiscal year 1973, 4,720 schools with food service and 1,549 without food service were assisted. An average Federal contribution of \$1,538 per school with food service and \$5,179 per school without food service was made.

Food and Nutrition Service personnel continued to work with State, local and industry food service personnel in the areas of food delivery systems, facility layout and equipment specification development work. Slide presentations and other visual material have been used to assist schools and industry in designing suitable systems.

D. State administrative expenses

The Child Nutrition Act of 1966 authorized the use of Federal funds for State administrative expenses in undertaking additional activities involved in supervising and giving technical assistance to schools and service institutions participating in the child nutrition programs. Federal funds for State administrative expenses remained at basically the same level from fiscal year 1971 through 1974.

E. Nonschool food program

The National School Lunch Act, as amended in 1968, authorized on a three year pilot basis a special food service program to provide assistance for meal service to nonresidential child-care institutions serving low-income areas and areas with many working mothers. The program operates in a two-fold manner: year-round in day-care centers primarily for preschool children, and summer only in parks, playgrounds, and recreation programs primarily for school age children. Each State receives a basic grant of not more than \$50,000. The remaining funds are apportioned by a formula based on the number of children from families with incomes under \$3,000 per year.

The special food service program continued to grow in fiscal year 1973. In the year-round phase of the program, the number of children served

increased from almost 185 thousand in 1972 to 195 thousand in 1973, an increase of five percent; while the number of year-round meals served increased from 103 million in 1972 to 116 million in 1973, an increase of 13 percent. A recent decision should substantially increase the size of the year-round special food service program. This decision was to revoke effective January 1, 1974, the administrative agreement which previously kept most Head Start Programs from participating in the special food service program.

The summer phase of the nonschool food program showed a substantial growth in fiscal year 1973. In fiscal year 1972, almost one million children participated in the summer program while 1.2 million participated in 1973, an increase of 20 percent. The total number of meals remained relatively unchanged because the number of meal supplements were over twice as large in FY 1972 compared with FY 1973 (23.4 million versus 10.5 million). However, if only "full" meals (lunches, breakfasts, and suppers) are considered, meals served in FY 1973 were almost 26 percent greater than in 1972 (62.9 million versus 50.0 million in 1972).

2. Commodity procurement:

Food is furnished to schools and institutions by distribution through State Agencies. Commodities are acquired under various authorities. These include Section 6 of the National School Lunch Act, Section 32 of the Act of August 24, 1935, as amended, Section 416 of the Agricultural Act of 1949, as amended, and Section 709 of the Food and Agricultural Act of 1965.

Due to the farm marketing and supply situation in 1973, the Department could not distribute all of the \$313 million in commodities originally designated for the child nutrition programs. As a result, Public Law 93-13 was enacted, and authorized the Department to make up in cash payments any shortages in commodity distribution. Cash payments of \$70.8 million were made in March 1973 to States for child nutrition programs under this authority.

A similar situation in 1974 has been averted by the authority contained in Public Law 93-86, enacted in August 1973, for the Department to purchase food items to meet its food assistance program needs without reference to price support and surplus removal operations. Also, P.L. 93-150, enacted in November 1973, provides permanent authority for making up commodity shortages for child nutrition programs with cash payments.

3. Nutritional training and surveys:

Public Law 91-248 provides that up to one percent of the total funds appropriated for the child nutrition programs may be used for nutritional training and for surveys of food service requirements. In fiscal year 1973, emphasis was placed on projects to evaluate the effectiveness of nutrition education specialists at the State level.

4. Special developmental projects:

Section 8 of P.L. 91-248 provides for the reserving of up to one percent of the funds available for apportionment to any State to carry out special development projects. In fiscal year 1973, three such projects were initiated, in Georgia, North Carolina, and New York.

5. Administrative and technical assistance:

Assistance is provided to State agencies, schools and institutions to help in:

- a. Management of funds;
- b. Purchase and storage of foods;

- c. Maximizing local purchases of plentiful foods;
- d. Proper use of equipment;
- e. Preparation and service of meals;
- f. Maintenance of records and preparation of reports;
- g. Development of recipes, particularly those using donated and plentiful foods;
- h. Increasing participation in program;
- i. Adequacy of program operations;
- j. In-service workshop training meetings;
- k. Extension of program to especially needy schools both in core areas of metropolitan centers and in isolated rural areas.

Training and instruction of school food service personnel received continuing emphasis in 1973. Emphasis has been placed on in-service training for local personnel. This training is provided directly to private schools and institutions which have programs administered by the Department. It is also provided in cooperation with State agencies which administer school lunch programs. Training materials such as flip-charts, slides, films, scripts, and sound tapes have been classified and catalogued and made available for use or loan to private school workshops and State agencies.

In addition, the FNS-funded Food and Nutrition Information and Educational Materials Center at the National Agricultural Library got fully underway and provided various materials to several thousand users during 1973. The users include school food service directors, supervisors, and training and nutrition education specialists at all levels. Various informational materials were developed to acquaint potential users with the Center's facilities.

6. Evaluation of program operations:

Individual school lunch programs are evaluated and their administrative efficiency determined by:

- a. On-site reviews at the individual schools and service institutions;
- b. Comprehensive administrative analyses of State agencies' operations under the program; and
- c. Annual audits of the records of State agencies. Similar audits are made of the records of selected schools and service institutions.

Program policy is to encourage and assist State educational agencies to assume increasing responsibility for the administration of the programs. All States have assumed the responsibility for the administrative review of individual programs in public schools. Twenty-one States have assumed responsibility for individual school audit programs.

7. Selected statistical material and analyses:

The following tables present analyses of the growth and scope of the child nutrition programs:

Tables I and Ia	- Source of Funds, Matching Requirements and Participation, in the first year of operation and the latest four years and analyses.
Tables II	- Apportionment by States, 1974 Regular Cash Payments.
IIa	- Nonfood Assistance
IIb	- Special Food Service
Table III	- Comparison of Federal and State Financing 1973, by State.
Table IV	- Children and Schools Participating 1973, by State.
Table V	- Commodities distributed in 1972 and 1973 by quantity and cost.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service

TABLE I

Child Nutrition Programs
Source of Funds Including Special Milk, Matching Requirements and Participation in the Programs
Fiscal Year 1947 (First Year) and Fiscal Years 1971-1974

Item	1947	1971	1972	1973	1974 (est.)
1. Method of Financing Programs					
Contributions from Federal Sources					
a. <u>Financing 1/</u>					
1. Cash payments to States:					
a. School Lunch	\$ 59,853,146	\$ 225,669,300	\$ 248,913,739	\$ 324,119,943	\$ 412,000,000
b. Special Assistance	---	308,943,617	494,708,223	555,307,365	681,526,000
c. School Breakfast	---	20,139,380	24,614,450	37,002,209	70,119,000
d. Nonfood assistance	---	37,121,964	17,257,890	16,032,058	28,110,000
e. State administrative expenses	---	3,513,060	2,789,634	3,472,189	3,800,000
f. Nonschool food program	---	20,280,891	40,917,711	54,097,833	93,916,000
2. Nutritional training and surveys	---	738,111	603,162	733,904	1,000,000
Total	\$ 59,853,146	\$ 616,406,323	\$ 829,806,809	\$ 990,765,501	\$ 1,290,471,000
b. <u>Donated Commodities 2/</u>					
1. Section 6	5,735,269	64,306,096	64,030,134	59,494,808	64,325,000
2. Section 32	2,312,479	127,766,327	111,936,639	65,606,385	110,375,000
3. C.C.C. (Section 416)	---	87,111,267	138,797,997	135,096,593	139,000,000
Total	8,047,748	279,183,690	314,764,770	260,197,786	313,700,000
c. Special Milk Program	---	92,299,013	92,734,658	94,767,255	98,360,000
Total, Federal Contributions	67,900,894	987,889,026	1,237,306,237	1,345,730,542	1,702,531,000
Contributions from State Sources					
a. <u>Direct appropriation</u>					
State and local	20,616,000	216,377,796	270,279,086	283,214,256	313,000,000
b. <u>Other local contributions</u>	17,532,000	376,943,927	345,695,820	397,876,350	441,000,000
c. <u>Payments by children</u>	112,540,000	1,090,209,734	1,080,449,563	1,123,562,973	1,215,000,000
Total, State Contributions	150,688,000	1,683,531,457	1,696,424,469	1,804,653,579	1,969,000,000
Total Contributions, Federal and State	218,588,894	2,671,420,483	2,933,730,706	3,150,384,121	3,671,531,000
2. <u>Matching 3/</u>					
Federal apportionment of cash to States	\$ 62,338,155	\$ 225,018,000	\$ 225,018,000	\$ 225,747,000	\$ ---
Required by States under School Lunch Act	\$ 55,877,690	\$ 571,792,064	\$ 665,260,114	\$ 862,338,000	\$ 1,116,000,000
Contributed by States	\$150,688,000	\$1,683,531,457	\$1,696,424,469	\$1,804,653,579	\$1,969,000,000
3. <u>School Enrollment (thousands)</u>	26,000	51,982	51,900	51,400	50,900

a/ In addition, \$70,796,798 cash in lieu of commodities.

TABLE I - cont'd.

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1947		1971	1972	1973	1974 (est.)
4. Participation in Programs					
a. Total, School Lunch					
Lunches served (millions)	910.9	3,848.3	3,972.1	4,027.0	4,000.0
Children (millions - daily average)	5.1	23.7	24.1	24.3	24.1
Average Federal meal reimbursement	6.6c	13.9c	18.7c	21.8c	27.3c
Number of schools (peak) 4/	44,537	79,924	83,379	86,390	89,000
(1) School Lunch - Section 4					
Lunches served (millions)	910.9	3,848.3	3,972.1	4,027.0	4,000.0
Average Federal reimbursement	---	5.9c	6.3c	8.0c	10.3c
(2) Free and Reduced Price Lunches					
Lunches served (millions)	---	1,005.7	1,285.3	1,399.0	1,480.0
Children (millions - daily average)	---	6.2	7.8	8.5	8.9
Average Federal reimbursement	---	30.7c	38.5c	39.7c	46.0c
b. School Breakfast					
Breakfasts served (millions)	---	125.5	169.3	195.0	255.0
Children (thousands - daily average)	---	796	1,026	1,175	1,537
Average Federal reimbursement	---	16c	14.5c	19.0c	27.5c
c. Nonfood Assistance					
Schools equipped	---	15,378	6,603	6,269	11,840
Average contribution per school	---	\$2,414	\$2,614	\$2,557	\$2,374
d. Nonschool Food Program					
Meals served (millions)	---	109.6	176.2	182.6	367.0
Year-round	---	80.6	102.8	116.2	241.0
Summer	---	29.0	73.4	66.4	126.0
Children served (thousands)	---	616.2	1,161.8	1,370	2,502
Year-round	---	133.6	185.0	195	402
Summer	---	462.6	976.8	1,175	2,100
Special Milk Program					
Half-pints milk (millions)	---	2,570	2,498	2,534	2,588
Number of children receiving milk (mil.)	---	14.5	14.1	14.3	14.6
Total outlets	---	97,584	94,016	97,953	96,000
School	---	90,923	90,850	92,201	91,000
Child care	---	6,661	3,166	5,752	5,000
5. Foods bought in local markets with Federal					
Cash Payments and State Contributions	\$128,648,278	\$1,132,513,000	\$1,250,773,000	\$1,411,070,952	\$1,577,000,000
6. Total Appropriation 5/	\$81,000,000	\$817,985,000	\$1,056,079,000	\$1,231,984,000	\$1,425,362,000 b/

1/ Includes funds from Child Nutrition, special section 32 and section 32 transfer.

2/ Represents commodity distribution in year indicated.

3/ State matching requirements per Federal dollar are as follows: 1947-50, \$1 to \$1; 1951-55, \$1.50 to \$1.00; thereafter, \$3.00 to \$1.00 EXCEPT that for States with per capita income below the National average the ratio required is decreased by the percentage which the State per capita income is below the per capita income of the United States. Lowest matching requirement for 1947-1950 was \$.46 to \$1.00; 1951-1955, \$.73 to \$1.50; 1956-1960, \$1.41 to \$3.00; 1961-1970, \$1.54 to \$3.00; 1971, \$1.79 to \$3.00; 1972, \$1.96 to \$3.00; 1973 - 1974, \$.27 to \$.00.

4/ Represents total schools participating in school lunch, special assistance and school breakfast.

5/ Includes funds appropriated under child nutrition, special milk, section 32 transfer and special section 32 and carryover funds.
b/ Includes proposed supplemental of \$86,500,000.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Child Nutrition Programs
Analyses of Source of Funds, Matching Requirements and Participation in the Programs
Fiscal Year 1947 (First Year) and Fiscal Years 1971-1974

TABLE Ia

	1947	1971	1972	1973	1974
1. Total cost per lunch (Includes all lunches except Type C)	30.4¢	64.9¢	69.3¢	74.9¢	84.4¢
a. Federal contributions (excluding special milk)	9.3	21.2	26.6	30.1	35.2
b. State and local contributions	5.6	15.4	15.5	16.9	18.8
c. Children's payments	15.5	28.3	27.2	27.9	30.4
2. Average rate of reimbursement from Federal cash payments per Type A lunch:					
Section 4	8.7¢	5.9¢	6.3¢	8.0¢	10.3¢
Section 11	--	30.7¢	38.5¢	39.7¢	46.0¢
Donated commodities a/	8.8¢	7.2¢	7.9¢	8.2¢	7.8¢
3. Annual contribution per child (Excludes children participating in Type C Programs)	\$45.97	\$105.39	\$114.31	\$124.07	\$140.09
a. Federal (Excluding special milk):					
Cash payments	\$12.27	\$ 22.57	\$ 30.86	\$ 36.19	\$ 45.37
Donated commodities	1.78	11.78	13.06	13.62	13.02
Total, Federal	14.05	34.35	43.92	49.81	58.39
b. State and local contributions	8.47	25.04	25.56	28.03	31.29
c. Children's payments	23.45	46.00	44.83	46.23	50.41
4. Percent of enrollment participating	16.9%	45.6%	46.3%	47.3%	47.3%
5. Average number of children participating per school	101	296	289	281	271

a/ Represents distribution from State warehouses to local school districts.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Washington, D. C. 20250

CHILD FEEDING PROGRAM -- Nonschool Food Program (Section 13)
(Special Food Service Program for Children)

Apportionment of Funds, by State

TABLE IIIa

Fiscal Year 1974

STATE	Number of Children Age 3-17 1/ (1)	Percent of Total (2)	Basic Apportionment (3)	Remainder Apportionment (4)	Total Apportionment 2/ (5)
Dollars					
Alabama	171,365	3.52787	50,000	601,502	651,502
Alaska	7,673	0.15796	50,000	26,933	76,933
Arizona	53,065	1.09244	50,000	186,262	236,262
Arkansas	96,865	1.99415	50,000	340,002	390,002
California	388,815	8.00449	50,000	1,364,765	1,414,765
Colorado	45,459	0.93586	50,000	159,564	209,564
Connecticut	39,540	0.81401	50,000	138,788	188,788
Delaware	10,405	0.21421	50,000	36,522	86,522
District of Columbia	23,705	0.48801	50,000	83,207	133,207
Florida	186,035	3.82988	50,000	652,995	702,995
Georgia	178,172	3.66801	50,000	625,395	675,395
Hawaii	12,448	0.25627	50,000	43,693	93,693
Idaho	13,902	0.28620	50,000	48,797	98,797
Illinois	190,891	3.92985	50,000	670,040	720,040
Indiana	77,451	1.59447	50,000	271,858	321,858
Iowa	43,680	0.89924	50,000	153,320	203,320
Kansas	40,199	0.82757	50,000	141,101	191,101
Kentucky	136,800	2.81629	50,000	480,177	530,177
Louisiana	204,161	4.20304	50,000	716,318	766,318
Maine	19,139	0.39401	50,000	67,179	117,179
Maryland	77,371	1.59283	50,000	271,777	321,777
Massachusetts	76,987	1.58492	50,000	270,229	320,229
Michigan	147,363	3.03374	50,000	517,253	567,253
Minnesota	59,044	1.21553	50,000	207,248	257,248
Mississippi	172,535	3.57254	50,000	609,119	659,119
Missouri	108,592	2.23557	50,000	381,155	431,155
Montana	15,947	0.32830	50,000	55,975	105,975
Nebraska	29,295	0.60309	50,000	102,827	152,827
Nevada	7,561	0.15556	50,000	26,540	76,540

TABLE IIIa (cont'd.)

STATE	Number of Children Age 3-17 ^{1/}	Percent of Total (2)	Basic Apportionment (3)	Remainder Apportionment (4)	Total Apportionment 2/ (5)
----- Dollars -----					
New Hampshire	8,734	0.17981	50,000	30,657	80,657
New Jersey	101,099	2.08131	50,000	354,864	404,864
New Mexico	49,966	1.02864	50,000	175,384	225,384
New York	345,936	7.10940	50,000	1,262,151	1,262,151
North Carolina	188,149	3.87340	50,000	660,415	710,415
North Dakota	14,618	0.30094	50,000	51,310	101,310
Ohio	188,846	3.88775	50,000	662,861	712,861
Oklahoma	75,832	1.56114	50,000	256,175	316,175
Oregon	36,716	0.75587	50,000	128,875	178,875
Pennsylvania	197,736	3.86490	50,000	658,965	708,965
Rhode Island	16,693	0.34366	50,000	58,593	108,593
South Carolina	125,688	2.58752	50,000	441,173	491,173
South Dakota	20,514	0.42232	50,000	72,005	122,005
Tennessee	150,683	3.10209	50,000	528,907	578,907
Texas	364,097	7.49562	50,000	1,278,004	1,328,004
Utah	19,597	0.40344	50,000	68,787	118,787
Vermont	6,451	0.13281	50,000	22,643	72,643
Virginia	127,066	2.61589	50,000	446,010	496,010
Washington	53,575	1.10500	50,000	188,403	238,403
West Virginia	68,706	1.41444	50,000	241,152	291,152
Wisconsin	65,648	1.35149	50,000	230,429	280,429
Wyoming	6,147	0.12655	50,000	21,576	71,576
U. S. Total	4,857,462	100.00000	2,550,000	17,050,000	19,600,000
Outlying Areas					
Guam	31,562	2.89264	--	11,571	11,571
Puerto Rico	988,788	90.62163	--	362,486	362,486
Virgin Islands	11,990	1.09887	--	4,395	4,395
Samoa, American	38,341	3.51392	--	14,056	14,056
Trust Territory	20,436	1.87294	--	7,492	7,492
Total	1,091,117	100.00000	--	400,000	400,000
GRAND TOTAL	5,948,579	--	2,550,000	17,450,000	20,000,000

^{1/} The 50 States and the District of Columbia data represent the number of children age 3-17 in families with incomes under \$3,000 from Department of Health, Education and Welfare (1970). The outlying areas data represent total population age 3-17 furnished by the Department of Commerce.

^{2/} Two percent of the total funds made available to the outlying areas. A basic apportionment of \$50,000 made to the 50 States and the District of Columbia, and the remainder distributed by the percent in Column 2.

e/ Contributions from the several sources with contributions, and payments by children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Washington, D. C. 20250

TABLE IV

NATIONAL SCHOOL LUNCH PROGRAM

Number of Children and Schools Participating (Elementary and Secondary Schools) 1
FISCAL YEAR 1973

REGION/STATE: U.S.	: NSLP	: NSLP of	: U. S.	: NSLP	: NSLP Participants 2/	: NSLP	: NSLP Participants 3/	: To U. S. Enrollment	: Enrollment 4/	: To NSLP Enrollment	: Daily Attendance
: Schools 2/	: Schools	: U.S. Schools	: Enrollment	: Participants 2/	: Participants 3/	: To U. S. Enrollment	: Enrollment 4/	: To NSLP Enrollment	: Daily Attendance		
-- -- -- -- --	Number--	%	-- -- -- -- --	%	No. of Children	%	No. of Children	%	No. of Children		
NORTHEAST											
Connecticut	1,513	867	57.3	776,636	211,690	27.3	518,563	40.8	486,413		
Delaware	227	209	92.1	155,398	80,690	51.9	137,734	58.6	119,829		
District of Columbia	283	202	71.4	162,306	72,257	44.5	146,393	49.4	120,043		
Maine	1,037	745	71.8	268,544	132,737	49.4	214,342	61.9	200,411		
Maryland	1,824	1,391	76.3	978,087	395,410	40.4	939,100	42.1	805,748		
Massachusetts	3,247	2,306	71.0	1,307,928	698,958	53.4	1,196,875	58.4	1,137,032		
New Hampshire	533	373	70.0	189,755	83,113	43.8	166,226	50.0	155,089		
New Jersey	3,298	1,704	51.7	1,697,192	511,991	30.2	1,244,267	41.1	1,132,283		
New York	6,541	4,852	74.2	4,277,360	1,511,780	35.3	3,408,550	44.4	3,067,695		
Pennsylvania	5,925	4,171	70.4	2,755,509	1,163,027	42.2	2,377,923	48.9	2,211,469		
Rhode Island	509	374	73.5	222,178	72,021	32.4	180,616	39.9	164,000		
Vermont	477	356	74.6	116,733	55,791	47.8	71,323	78.2	67,757		
Virginia	1,943	1,821	93.7	1,041,893	716,231	68.7	1,180,766	60.7	964,889		
West Virginia	1,430	1,340	93.7	427,780	271,020	63.4	442,448	61.3	391,567		
Regional Total	28,787	20,711	71.9	14,377,299	5,976,716	41.6	12,225,126	48.9	11,024,225		
SOUTHEAST											
Alabama	1,587	1,361	86.3	898,020	634,420	70.6	803,447	79.0	735,155		
Florida	2,312	1,880	81.3	1,678,367	973,250	58.0	1,462,299	66.6	1,355,552		
Georgia	1,858	1,824	98.2	1,095,348	934,620	85.3	1,069,917	87.4	971,485		
Kentucky	1,656	1,564	94.4	771,710	587,073	76.1	742,832	79.0	680,434		
Mississippi	1,082	940	86.9	599,321	455,529	76.0	519,367	87.7	490,802		
North Carolina	2,261	2,016	89.2	1,174,920	944,738	80.4	1,170,425	80.7	1,075,621		
Puerto Rico	2,570	2,471	96.1	806,208	401,411	49.8	701,668	57.2	633,607		
South Carolina	1,363	1,132	83.1	689,436	495,721	71.9	629,890	78.7	584,539		
Tennessee	1,900	1,795	94.5	903,012	622,868	69.0	817,408	76.2	774,087		
Virgin Islands	60	49	81.7	30,791	21,411	69.5	24,744	86.5	21,989		
Regional Total	16,649	15,032	90.3	8,647,133	6,071,041	70.2	7,941,997	76.4	7,323,271		

TABLE IV (cont'd.)

REGION/STATE: U.S.	: NSLP	: NSLP of	: U. S.	: NSLP	: NSLP Participants	: NSLP	: NSLP Participants	: NSLP Average
: Schools 2/	: Schools	: U.S. Schools	: Enrollment	: 2/Participants	: 3/To U, S. Enrollment	: Enrollment	: 4/To NSLP Enrollment	: Daily Attendance
- - - - -Number- - -	z	- - -No. of Children-	z	- - -No. of Children-	z	- - -No. of Children-	z	- - -No. of Children-
MIDWEST								
Illinois	5,712	4,019	70.4	2,898,300	1,029,675	35.5	2,250,991	45.7
Indiana	2,651	2,249	84.8	1,326,525	696,280	52.5	1,221,704	57.0
Iowa	2,356	2,201	93.4	701,559	478,011	68.1	666,522	71.7
Kansas	1,876	1,719	91.6	491,571	340,814	69.3	465,092	73.3
Michigan	4,530	2,840	62.7	2,221,391	708,450	31.9	1,796,203	39.4
Minnesota	2,385	2,187	91.7	1,064,011	603,220	56.7	935,044	64.5
Missouri	2,871	2,606	90.8	1,140,708	684,610	60.0	1,147,634	59.7
Nebraska	2,206	1,160	52.6	377,808	203,204	53.8	311,652	65.2
Ohio	5,123	4,408	86.0	2,618,307	1,111,907	42.5	2,436,171	45.6
Wisconsin	3,066	2,368	77.2	1,185,961	502,501	42.4	954,944	52.6
Regional Total	32,776	23,757	78.6	14,026,141	6,338,672	45.3	12,185,957	52.2
West Central								
Arkansas	1,343	1,317	98.1	471,447	350,357	74.3	468,576	74.8
Colorado	1,404	1,208	86.0	581,702	278,610	47.9	513,495	54.3
Louisiana	1,894	1,705	90.0	1,035,039	810,270	78.3	977,812	82.9
Montana	934	533	57.1	183,684	78,953	43.0	145,235	54.4
New Mexico	782	649	83.0	316,353	191,676	60.6	297,436	64.4
North Dakota	613	506	82.5	158,525	98,640	62.2	153,001	64.5
Oklahoma	1,933	1,888	97.7	611,372	358,919	58.7	595,049	60.3
South Dakota	1,059	640	60.4	176,791	109,392	61.9	166,870	65.6
Texas	5,579	5,223	93.6	2,943,684	1,489,293	50.6	2,852,504	52.2
Utah	588	545	92.7	310,149	202,049	65.1	297,884	67.8
Wyoming	415	295	71.1	88,207	46,506	52.7	78,518	59.2
Regional Total	16,544	14,509	87.7	6,876,953	4,014,665	58.4	6,546,380	61.3
WESTERN								
Alaska	406	282	69.5	94,299	44,303	47.0	75,624	58.6
Arizona	990	695	70.2	450,508	265,470	58.9	480,759	55.2
California	8,763	5,683	64.9	5,009,000	1,451,330	29.0	3,563,108	40.7
Guam	46	44	95.7	31,628	19,278	61.0	30,867	62.5
Hawaii	282	241	85.5	207,932	133,455	73.8	191,464	80.1
Idaho	569	502	88.2	189,783	106,449	56.1	176,495	60.3
Nevada	265	207	78.1	127,361	38,957	30.6	121,384	32.1
Oregon	1,445	1,163	80.5	492,884	264,263	53.6	472,073	56.0
Samoa, American	34	33	97.1	8,960	8,421	94.0	8,586	98.1
Washington	1,850	1,531	82.8	822,136	333,167	40.5	736,916	45.2
Regional Total	14,650	10,381	58.9	7,434,491	2,685,093	36.1	5,857,276	45.8
GRAND TOTAL	109,406	86,390	79.0	51,362,017	25,106,187	48.9	44,756,736	56.1

1/ Data represents the number of participants in the program during December 1972 and the number of schools in May 1973.

2/ Source: Annual Report of School Food Service, as of September 30, 1972.

3/ Number of participants adjusted to be comparable with enrollment.

4/ Enrollment computed by taking NSLP Average Daily Attendance and adjusting by attendance rates furnished by States.

Commodities Distributed to the Child Nutrition Programs
During Fiscal Years 1972 and 1973

TABLE V

Program and Commodity	Fiscal Year 1972		Fiscal Year 1973	
	Founds	Amount	Founds	Amount
Direct Purchases:				
Section 6				
Applesauce	---	\$	147,056	\$ 16,441
Apricots, Canned	24,040,640	3,562,823	70,200	10,403
Beans, Canned Green	17,037,376	2,063,226	44,751	5,420
Beef Products	44,996,102	25,577,218	233,565	133,851
Chicken, Frozen	50,537,135	15,974,790	89,173,930	32,120,450
Corn, Canned	16,358,471	2,146,230	14,264,761	1,841,581
Fruit Cocktail	---	---	6,839,446	1,408,925
Orange Juice, Frozen	---	---	16,221,650	4,613,433
Peaches, Canned	21,032,860	3,157,034	55,680	8,357
Peas, Canned	13,503,520	1,759,505	1,724,480	241,083
Pineapple, Canned	20,525,791	2,826,403	26,460,227	3,640,932
Plums, Canned	6,668,087	770,833	---	---
Pork Products	---	---	15,537,830	11,091,060
Potatoes, Frozen F.F.	---	---	24,567,960	3,562,357
Sweet Potatoes	15,003,127	1,893,423	2,277,300	586,188
Tomato Products	30,187,154	4,298,649	719,330	102,434
Turkeys, Frozen	---	---	209,303	106,054
Total, Section 6	259,890,263	64,030,134	198,559,780	59,494,808
Donated Commodities:				
Section 32				
Apples, Fresh	19,060,760	1,719,283	33,560	3,027
Apple Juice	431,287	44,897	33,107	3,446
Applesauce	56,573,221	6,404,088	19,670,347	2,458,798
Beans, Cd. Green and Dry	15,964,998	2,094,836	22,511,582	2,694,832
Beef Products	16,952	10,788	---	---
Butter	7,812,196	5,820,968	---	---
Cheese	1,281,911	780,555	---	---
Chicken, Cd. and Boned	2,927,248	1,814,601	---	---
Corn, Canned	102,277	13,306	5,813	911
Cranberries, Fresh	4,690,088	872,361	51,391	9,559
Egg Mix	10,836	8,841	67,269	55,954
Fruit Cocktail	---	---	1,205,918	245,284
Grape Juice	10,923	1,843	9,534	1,608
Grapefruit Sections	257,887	50,055	112	22
Honey	190,680	40,044	23,400	4,914
Lard/Shortening	26,000	3,357	---	---
Lentils	244,768	31,746	117,096	16,136
Meat, Canned, Chopped	173,475	92,653	---	---
Meat, Luncheon	59,895	31,990	439,740	249,556
Milk, Evaporated	87,130	14,532	127,637	21,480
Milk, Nonfat Dry	2,361,332	834,259	---	---
Nectars, Fruit	4,524	450	1,847	184
Orange Juice, Frozen Cond.	2,633,620	558,854	5,768,940	1,640,689
Orange Juice, Processed	31,482	3,208	33,160	3,926
Peaches, Canned	17,756,733	2,825,095	37,099,379	6,021,224
Peanut Butter	1,459,908	474,762	18,040,945	6,115,879
Pears, Fresh and Canned	60,442,238	8,520,729	2,886,180	593,689
Peas, Canned	96,072	13,863	10,104	1,490
Pea Soup Mix	190,895	56,600	154,875	45,920
Peas, Dry, Split	683,918	55,877	973,359	99,088
Pineapple Juice	---	---	66,427	5,241
Plums, Canned	2,691	302	---	---
Pork Products	83,689,491	46,821,403	6,820,599	4,132,208
Potatoes, White Dehydrated	11,964,186	2,208,587	1,372,464	292,611
Potatoes, French Fried	21,170,910	2,982,980	1,793,100	252,646
Potatoes, Sweet, Fresh & Cd.	---	---	48	6
Poultry, Canned	16,270,955	10,086,363	24,119,638	17,417,017
Prunes, Dried & Canned	349,407	61,314	30,612	5,907
Raisins	7,930,386	1,255,381	155,400	24,600
Syrup, Corn	144,540	17,070	48,671	5,841
Tomato Products	244,753	35,496	33,132,303	5,226,444
Turkey Products	45,665,719	15,273,302	50,302,564	17,956,248
Total, Section 32	383,016,292	111,936,639	227,107,121	65,606,385 a/
Section 416				
Beans, Canned and Dry	1,217,490	159,734	---	---
Bulgur	1,066,258	84,983	1,111,616	99,270
Butter	101,112,379	75,338,736	116,784,866	84,131,815
Butter Oil	132	127	---	---
Cheese	23,942,651	14,578,682	590,258	367,374
Corn Flour	2,350	94	---	---
Corn Meal	17,242,000	806,923	17,648,120	891,235
Farina	69,678	10,034	88,200	13,582
Flour	250,783,797	15,673,993	279,004,469	21,399,644
Grits, Corn	1,147,100	71,234	1,318,783	88,095
Macaroni	29,928	3,860	46,392	6,366
Milk, Instant Fortified	4,676,868	2,139,201	3,844,572	1,723,905
Milk, Nonfat Dry	25,584,567	9,039,025	26,320,069	8,364,521
Oats, Rolled	7,345,730	452,500	8,419,990	618,028
Peanut Butter	16,387,666	5,329,269	1,222,956	414,582
Rice	31,500,096	3,398,859	34,215,902	4,735,479
Salad Oil	21,813,700	4,460,901	25,845,644	5,011,470
Shortening, Vegetable	34,862,226	7,017,766	36,255,495	7,095,198
Wheat, Rolled	3,516,256	232,076	1,683,550	136,029
Total, Section 416	542,300,872	138,797,997	554,400,882	135,096,593
TOTAL	1,185,207,427	314,764,770	980,067,783	260,197,786 a/

a/ In addition, \$70,796,798 cash in lieu of commodities.

CHILD NUTRITION PROGRAMS . . .

(preliminary)

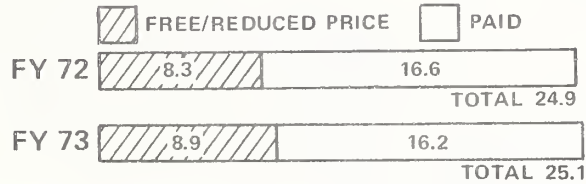
Figure 1

PARTICIPATION

(CHILDREN REACHED—PEAK)

NATIONAL SCHOOL LUNCH

(MILLIONS OF RECIPIENTS)

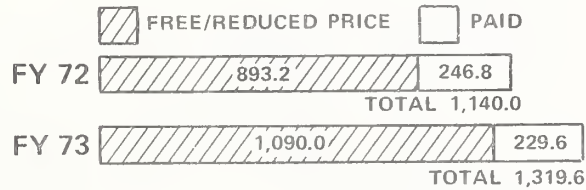


FY 1973
COMPARED
TO FY 1972

UP 0.8%

SCHOOL BREAKFAST

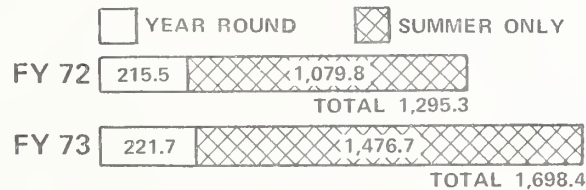
(THOUSANDS OF RECIPIENTS)



UP 15.8%

SPECIAL FOOD SERVICE

(THOUSANDS OF RECIPIENTS)

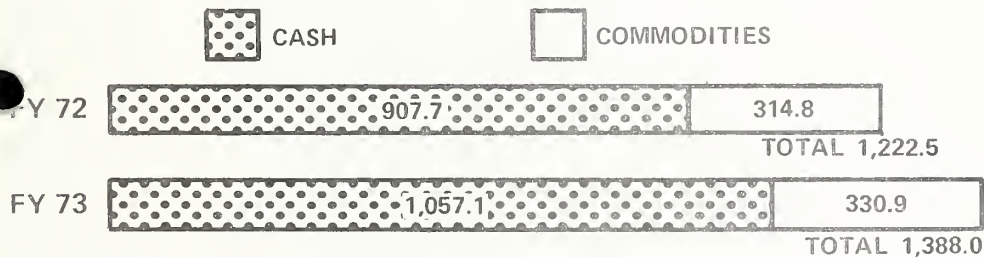


UP 31.1%

FEDERAL COST OF PROGRAMS

(MILLIONS OF DOLLARS)

(INCLUDES NONFOOD ASSISTANCE AND SPECIAL MILK PROGRAMS)



UP 13.5%

TOTAL MEALS SERVED

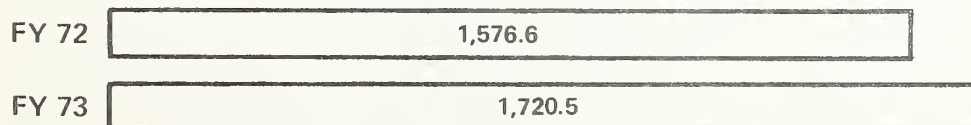
(MILLIONS OF MEALS)



UP 2.3%

FREE/REDUCED PRICED MEALS SERVED

(MILLIONS OF MEALS)



UP 9.1%

(Preliminary)



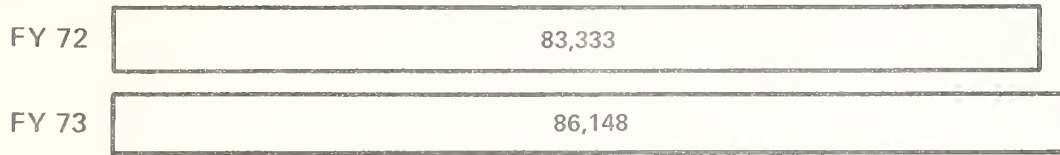
NATIONAL SCHOOL LUNCH PROGRAM . . .

(preliminary)

Figure 3

FY 1973
COMPARED
TO FY 1972

SCHOOLS



UP 3.4%

PARTICIPATION

(CHILDREN REACHED—PEAK)

(MILLIONS OF RECIPIENTS)



FREE/REDUCED PRICE



PAID



UP 0.8%

TOTAL LUNCHES SERVED

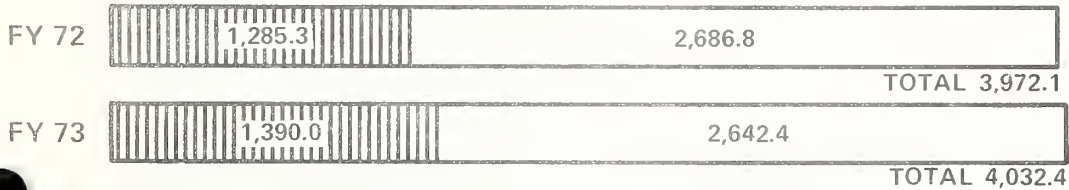
(MILLIONS OF LUNCHES)



FREE/REDUCED PRICE



PAID



UP 1.5%

TOTAL FEDERAL COST

(MILLIONS OF DOLLARS)



CASH



COMMODITIES



UP 14.2%

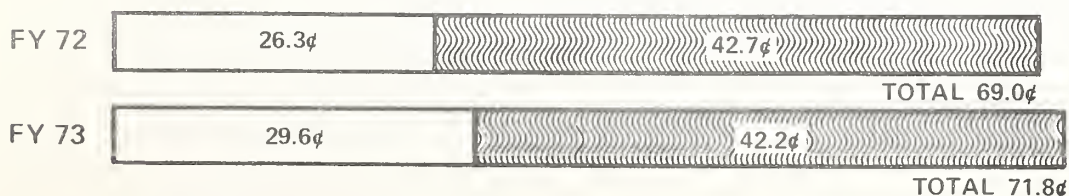
COST PER LUNCH



FEDERAL COST



ALL OTHER



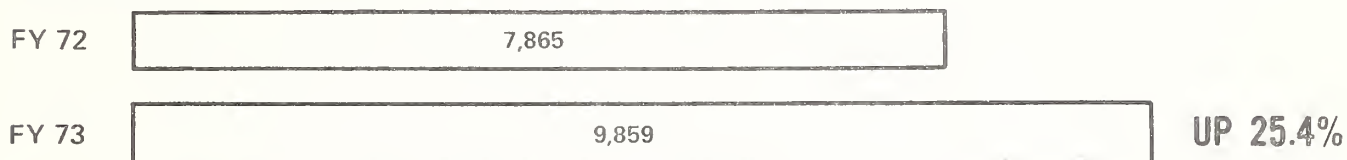
UP 4.1%

SCHOOL BREAKFAST PROGRAM . . .

(preliminary)

Figure 4
FY 1973
COMPARED
TO FY 1972

SCHOOLS



PARTICIPATION

(CHILDREN REACHED—PEAK)

(THOUSANDS OF CHILDREN)



FREE/REDUCED PRICE



PAID



TOTAL BREAKFASTS SERVED

(MILLIONS OF BREAKFASTS)



FREE/REDUCED PRICE



PAID



TOTAL FEDERAL COST

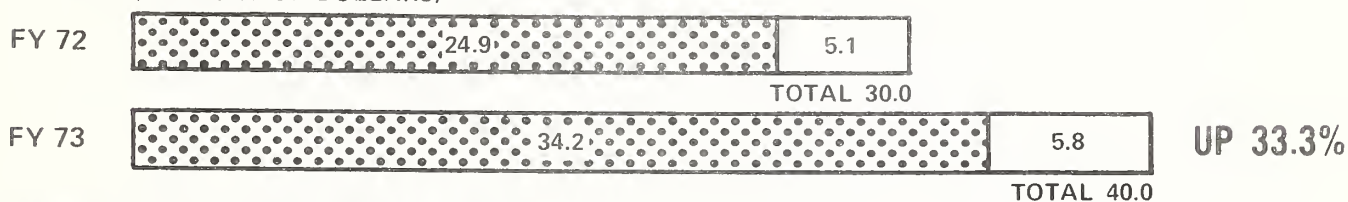
(MILLIONS OF DOLLARS)



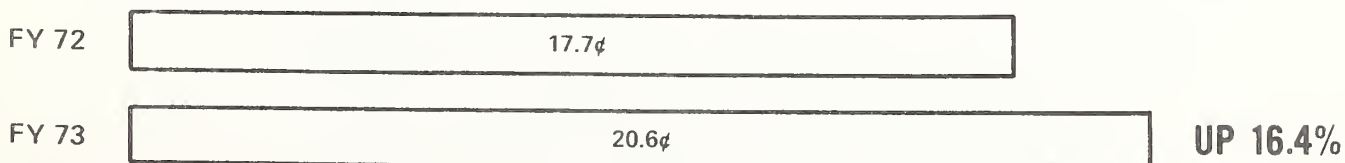
CASH



COMMODITIES



FEDERAL COST PER BREAKFAST



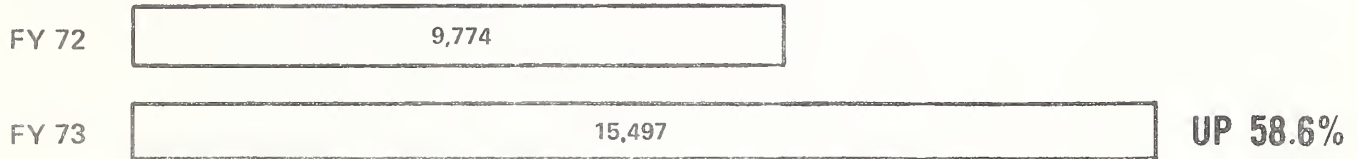
SPECIAL FOOD SERVICE PROGRAM . . .

Figure 5

(preliminary)

FY 1973
COMPARED
TO FY 1972

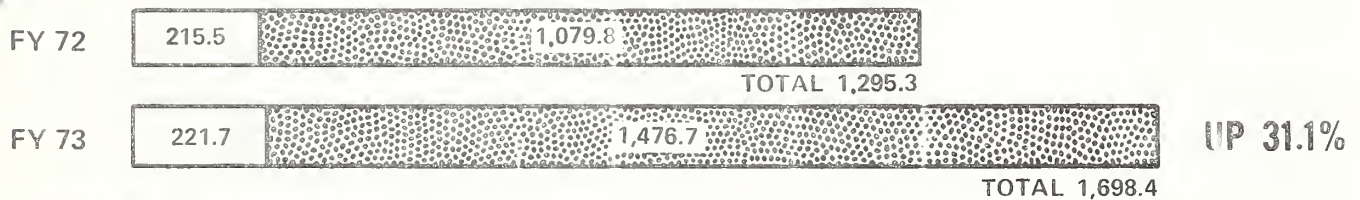
OUTLETS



AVERAGE DAILY ATTENDANCE

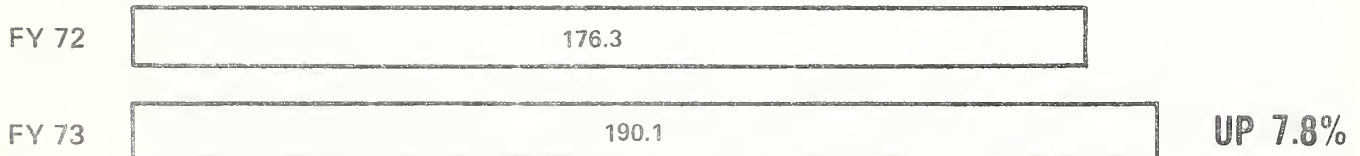
 YEAR ROUND
 SUMMER ONLY

(THOUSANDS OF PERSONS)



TOTAL MEALS SERVED

(MILLIONS OF MEALS)

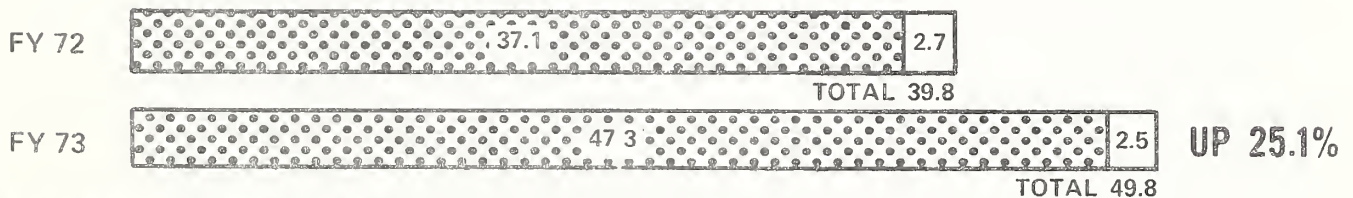


TOTAL FEDERAL COST

(INCLUDING EQUIPMENT)

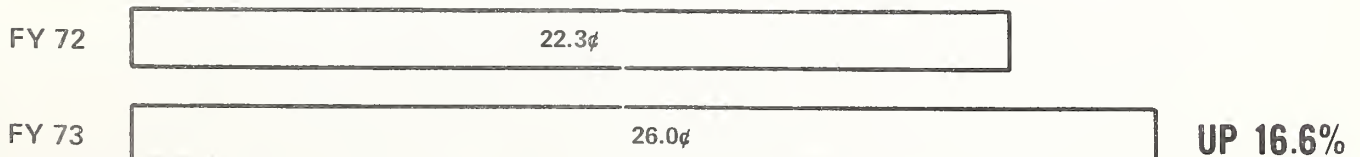
 CASH
 COMMODITIES

(MILLIONS OF DOLLARS)



FEDERAL COST PER MEAL

(EXCLUDE EQUIPMENT)



(b) Special Milk Program

Appropriation Act, 1974	\$97,123,000
Budget Estimate, 1975	120,000,000
Increase in Appropriation	+22,877,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974	Program Changes	1975 Estimate
Cash payments to States	\$96,327,000	+\$22,843,000	119,170,000
Operating expenses:			
GSA space rental costs	---	+ 28,000	28,000
Annualization of pay cost			
increases effective in FY 1974...	22,000	+ 6,000	28,000
All other	774,000	---	774,000
Total	97,123,000	+22,877,000	120,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1973	1974 :(estimated)	Inc. or Dec. :Program Changes:	1975 :(estimated)
1. Cash payments to States	\$96,364,000	\$96,327,000	+\$22,843,000(1)	\$119,170,000
2. Operating expenses	759,000	796,000	+ 34,000(2)	830,000
Total, appropriation	97,123,000	97,123,000	+22,877,000	120,000,000

PROJECT STATEMENT
(On basis of available funds)

Project	1973	1974 :(estimated)	Inc. or Dec. :	1975 :(estimated)
1. Cash payments to States	\$94,767,255	\$98,360,009	+\$20,809,001(1)	\$119,170,000
2. Operating expenses	731,871	796,000	+34,000(2)	830,000
Total obligations	95,499,126	99,156,009	+20,843,991	120,000,000
Unobligated balance:				
Available, start of year	-1,949,068	-2,033,009	+ 2,033,009(1)	---
Available, end of year	2,033,009	---	---	---
Unobligated balance lapsing	1,539,933	---	---	---
Total, appropriation	97,123,000	97,123,000	+22,877,000	120,000,000

EXPLANATION OF PROGRAM

The Special Milk Program seeks to increase the consumption of fluid milk by children. All public and nonprofit private schools, nonprofit summer camps for children, and nonprofit child-care institutions are eligible to participate. Participating institutions receive three cents per half-pint when milk is sold as a separately priced item. Schools which also serve Type A lunches under the National School Lunch Program may receive up to four cents reimbursement per half-pint for milk served in addition to the milk served as a part of the Type A lunch. In summer camps and child-care institutions where milk is not sold as a separate item, the reimbursement rate is two cents per half-pint for milk served. No reimbursement is paid from Special Milk Program funds for milk served as a part of the school lunch or school breakfast programs. In addition, participating schools are permitted to use up to one cent per half-pint of milk to pay the cost of distributing the milk within the school. Up to 1-1/2 cents may be retained for this purpose when justified by unusually high labor costs or the rental or purchase of equipment.

Public Law 93-150, enacted in November 1973, provided that the program shall be made available to all nonprofit schools and child-care institutions requesting it. Also, all children who qualify for free lunches shall be eligible for free milk under the Special Milk Program.

JUSTIFICATION OF INCREASES

- (1) An increase of \$22,843,000 in appropriation for cash payments to States.

The provisions of P.L. 93-150 require that this program be made available to all nonprofit schools and child-care institutions requesting it. Also, all children who qualify for free lunches are now eligible for free milk. The increase of \$22,843,000 under direct appropriation raises the program level to the fully authorized limit of the \$120 million (including operating expenses). This increase will provide approximately 254 million free half-pints of milk at an estimated reimbursement rate of 9 cents per half-pint for needy children.

- (2) An increase of \$34,000 for Special Milk operating expenses consisting of:

GSA space rental costs	\$28,000
Annualization of pay costs increases	
effective in fiscal year 1974	\$6,000

STATUS OF PROGRAM

Current activities

The special milk program seeks to increase the consumption of fluid milk by children. All nonprofit primary and secondary schools, nonprofit summer camps for children, and nonprofit child-care institutions are eligible to participate. From its inception in fiscal year 1955, through fiscal year 1962, the program was financed through advances from Commodity Credit Corporation funds. The Agricultural Act of 1961 (P.L. 87-128), authorized an appropriation for the program and extended it through June 30, 1967. The Child Nutrition Act of 1966 incorporated the special milk program and extended it through fiscal year 1970. Public Law 91-295 authorized appropriation authority not to exceed \$120 million for fiscal year 1970 and each succeeding fiscal year. Public Law 93-150, enacted November 1973, provided that the program shall be made available to all nonprofit schools and child-care institutions requesting it, and further that all children who qualify for free lunches shall be eligible for free milk under the special milk program.

Operation of the program

Program funds are advanced to State agencies for use in reimbursing eligible institutions for milk served. These funds help inaugurate a milk service or expand existing service through reduced prices or establishment of new times of service.

Eligible institutions receive three cents per half-pint sold when milk is sold as a separately priced item. Those institutions which also serve Type A lunches under the National School Lunch Program may receive up to four cents reimbursement per half-pint for milk served in addition to the milk served as part of the Type A lunch. In summer camps and child-care institutions where milk is not sold as a separate item, the reimbursement rate is two cents per half-pint for milk served. No reimbursement is paid from special milk program funds for milk served as a part of the school lunch or school breakfast program.

A program was inaugurated in fiscal year 1962 to provide special assistance to especially needy schools so that they could serve free milk to needy children. In such schools, the Federal reimbursement may cover the full cost of all milk served free to needy children. Reimbursement for all other milk served is at the regular rates outlined above.

Procedures and administration

In general, procedures established for this program are designed to encourage increased consumption of milk, while making it available to children at reduced prices. For this reason, participating schools are permitted to use up to one cent per half-pint of milk to pay the cost of distributing the milk within the school. They may retain up to 1-1/2 cents for this purpose where justified by unusually high labor costs or the rental or purchase of equipment.

State agencies are encouraged to administer the program to the greatest extent possible. The Food and Nutrition Service administers the program directly for private schools where the State agency is prohibited by law from disbursing funds to such participants, and in other outlets where no State agency has assumed the responsibility for administration.

Funds are made available to State agencies through a Letter of Credit procedure. This procedure, established in 1965, permits State agencies to obtain funds to pay claims on hand by filing appropriate documents, through normal banking channels, with the Federal Reserve Banks. This assures that funds will be available to the States for prompt payment of claims, and insures that Federal

funds will be withdrawn from the Treasury only as needed by the States for payment of claims.

No Federal funds are used by State agencies for administering this program in the States.

Selected examples of recent progress:

Program Statistics by Fiscal Years

<u>Fiscal Year</u>	<u>Number of Outlets Participating</u>	<u>Half-pints Reimbursed (Millions)</u>	<u>Total Reimbursement Payments</u>
1955	41,094	449.8	\$ 17,220,281
1956	62,266	1,394.2	45,842,194
1957	71,239	1,752.7	60,411,200
1958	76,478	1,918.2	66,290,970
1959	81,587	2,176.2	74,223,939
1960	83,922	2,384.7	80,277,086
1961	86,494	2,476.7	84,008,164
1962	88,188	2,631.0	88,713,265
1963	90,486	2,765.6	93,347,465
1964	91,890	2,929.0	99,156,543
1965	92,005	2,966.8	97,268,651
1966	97,437	3,059.1	96,025,736
1967	95,139	3,027.2	98,751,469
1968	94,422	3,035.7	101,856,664
1969	98,382	2,944.4	101,886,266
1970	97,234	2,901.9	101,497,991 ^{a/}
1971	97,584	2,570.0	92,299,013
1972	94,016	2,498.2	92,734,658
1973	97,953	2,563.0	94,767,255
1974 (estimate)	96,000	2,588.0	98,360,000

During the 1973 fiscal year, 92,201 schools and 5,752 child-care institutions in the 50 States and the District of Columbia served an estimated 2,563.0 million half-pints of milk.

Number of Half-Pints of Milk Reimbursed
(in thousands)

<u>Month</u>	<u>: Fiscal Year:</u>	<u>Fiscal Year</u>
	<u>: 1972</u>	<u>: 1973</u>
July	: 33,523	: 25,371
August	: 30,896	: 28,468
September	: 270,333	: 281,364
October	: 286,817	: 298,470
November	: 267,703	: 276,902
December	: 198,588	: 202,363
January	: 273,252	: 276,271
February	: 261,758	: 268,002
March	: 278,592	: 280,630
April	: 242,831	: 251,005
May	: 279,306	: 277,899
June	: 74,616	: 96,256
Total	: 2,498,215	: 2,563,001

^{a/} Includes obligations of \$20.0 million from funds allocated from the special feeding program, Section 32.

Number of Participating Outlets, Half-pints Reimbursed
and Obligations by State

TABLE I

Fiscal Years 1972 and 1973

STATE	No. of Outlets Participating		Est. No. 1/2 Pints Milk Reimb. (Mil.)		Obligations (Thousands)	
	1972	1973	1972	1973	1972	1973
Alabama	1,445	1,428	37.2	35.6	1,865	1,410
Alaska	110	124	1.3	1.3	33	33
Arizona	737	771	14.1	14.5	476	516
Arkansas	996	1,357	23.8	23.6	922	946
California	8,350	8,466	203.1	199.6	7,472	6,914
Colorado	1,311	1,367	23.7	22.9	906	916
Connecticut	1,350	1,465	55.0	55.7	1,787	1,849
Delaware	246	246	8.2	8.5	283	294
District of Columbia	242	289	12.0	10.5	430	370
Florida	1,641	1,887	43.5	48.2	1,449	1,634
Georgia	1,862	1,888	39.1	42.8	1,415	1,571
Hawaii	256	271	2.3	2.0	81	72
Idaho	547	576	5.1	5.0	173	182
Illinois	5,544	5,364	165.4	179.9	6,610	6,236
Indiana	2,617	2,689	72.0	77.2	2,889	3,021
Iowa	2,342	2,355	38.1	38.9	1,473	1,475
Kansas	1,959	1,949	25.7	24.6	924	893
Kentucky	1,692	1,634	42.9	44.5	1,726	1,818
Louisiana	1,298	1,260	16.2	19.0	583	784
Maine	871	907	13.9	14.1	533	537
Maryland	1,632	1,673	59.0	74.0	2,180	2,764
Massachusetts	2,726	2,990	99.8	90.6	3,732	3,123
Michigan	3,685	3,719	134.1	142.9	5,989	5,396
Minnesota	2,437	2,451	73.1	70.4	2,605	2,761
Mississippi	1,136	1,004	30.5	30.6	1,008	1,043
Missouri	2,782	2,826	58.1	57.3	2,203	2,247
Montana	463	486	6.1	6.0	216	215
Nebraska	1,082	1,344	17.1	16.7	647	627
Nevada	228	227	5.1	5.1	179	188
New Hampshire	476	565	14.2	13.1	557	633
New Jersey	2,791	2,897	99.6	98.1	3,639	3,642
New Mexico	754	670	22.3	19.9	640	611
New York	5,844	6,592	225.2	213.0	8,001	8,040
North Carolina	2,111	2,154	72.0	74.9	2,479	2,516
North Dakota	532	538	8.7	27.5	332	352
Ohio	4,814	5,094	178.7	164.1	6,696	6,989
Oklahoma	1,910	1,922	21.8	24.9	836	902
Oregon	1,315	1,365	16.9	17.2	541	549
Pennsylvania	4,584	4,597	118.7	115.8	5,579	5,099
Rhode Island	434	487	15.0	15.0	530	560
South Carolina	1,168	1,166	14.8	30.0	560	1,131
South Dakota	254	673	9.1	8.9	311	334
Tennessee	1,790	1,890	45.9	47.2	1,744	1,766
Texas	4,615	4,906	96.4	96.0	3,486	3,551
Utah	568	553	7.6	7.6	283	285
Vermont	431	476	8.9	7.7	279	289
Virginia	1,906	1,918	49.1	48.6	1,809	1,892
Washington	1,744	1,774	33.2	36.7	1,187	1,335
West Virginia	1,081	1,288	18.0	40.9	1,095	921
Wisconsin	3,012	3,140	96.4	91.1	3,549	3,491
Wyoming	287	275	2.7	2.8	105	110
Sub-total	94,008	97,953	2,500.7	2,563.0	95,027	94,833
Adjustment	+8	---	-2.5	---	-2,292	-66
TOTAL	94,016	97,953	2,498.2	2,563.0	92,735	94,767

UNITED STATES DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
Washington, D. C. 20250

TABLE II

CHILD FEEDING PROGRAM -- Special Milk

Apportionment of Funds, by State

Fiscal Year 1974

STATE	State Agency	Regional Office	Total Apportionment
		Dollars	
Alabama	1,373,182	55,092	1,428,274
Alaska	34,402	--	34,402
Arizona	520,500	--	520,500
Arkansas	893,905	47,547	941,452
California	7,208,917	--	7,208,917
Colorado	834,058	64,770	898,828
Connecticut	1,864,312	--	1,864,312
Delaware	285,866	--	285,866
Del. St. Dist. Agency	18,491	--	18,491
District of Columbia	394,267	--	394,267
Florida	1,690,835	--	1,690,835
Georgia	1,533,071	27,533	1,570,604
Hawaii	45,246	24,503	69,749
Idaho	168,681	16,325	185,006
Illinois	5,995,319	--	5,995,319
Indiana	3,049,907	--	3,049,907
Iowa	1,390,189	140,152	1,530,341
Kansas	930,725	--	930,725
Kentucky	1,762,578	--	1,762,578
Louisiana	721,089	--	721,089
Maine	494,018	57,458	551,476
Maryland	2,746,428	--	2,746,428
Md. Dept. Gen. Serv.	87,057	--	87,057
Massachusetts	3,326,772	--	3,326,772
Michigan	5,369,146	--	5,369,146
Minnesota	2,878,589	--	2,878,589
Mississippi	1,041,063	--	1,041,063
Missouri	2,211,567	51,453	2,263,020
Montana	191,321	22,797	214,118
Nebraska	556,409	90,158	646,567

TABLE II (con't.)

STATE	State Agency	Regional Office	Total Apportionment
		Dollars	
Nevada	159,215	18,847	178,062
New Hampshire	528,598	--	528,598
New Jersey	3,177,648	493,153	3,670,801
New Mexico	308,729	241,449	550,178
New York	7,611,448	--	7,611,448
N.Y. Off Gen. Sv	304,538	--	304,538
North Carolina	2,607,935	--	2,607,935
North Dakota	315,638	33,843	349,481
Ohio	6,022,083	634,971	6,657,054
Ohio Dep Pub. Wel.	163,243	--	163,243
Oklahoma	870,959	--	870,959
Oregon	553,973	16,309	570,282
Pennsylvania	4,691,989	525,192	5,217,181
Rhode Island	561,575	--	561,575
South Carolina	1,100,801	98,290	1,199,091
South Dakota	320,512	--	320,512
Tennessee	1,712,796	71,391	1,784,187
Texas	3,448,214	226,135	3,674,349
Utah	295,153	1,525	296,678
Vermont	272,163	6,998	279,161
Virginia	1,751,128	116,707	1,867,835
Washington	1,192,118	156,144	1,348,262
West Virginia	903,046	36,853	939,899
Wisconsin	2,901,631	577,598	3,479,229
Wyoming	107,494	--	107,494
TOTAL	91,500,537	3,863,193	95,363,730

SPECIAL MILK PROGRAM . . .

(preliminary)

FY 1973
COMPARED
TO FY 1972

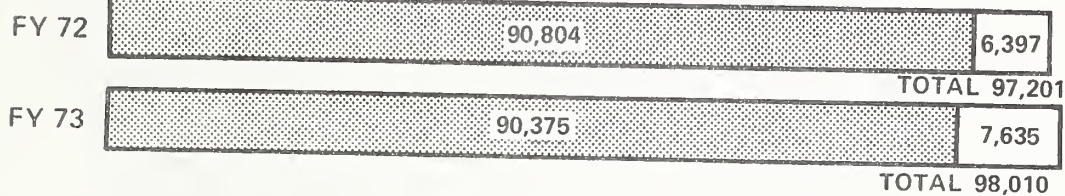
OUTLETS



SCHOOLS



CHILD CARE CENTERS



UP 0.8%

NUMBER OF 1/2 PINTS OF MILK

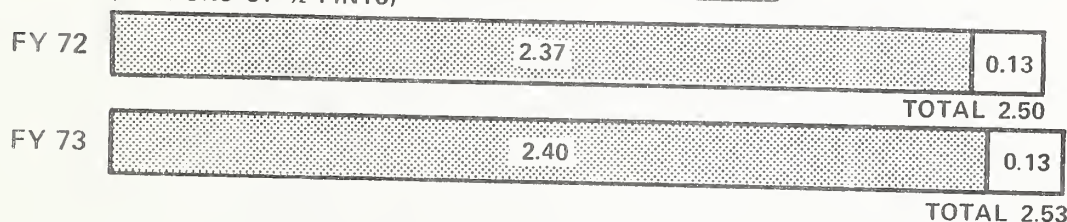
(BILLIONS OF 1/2 PINTS)



SCHOOLS



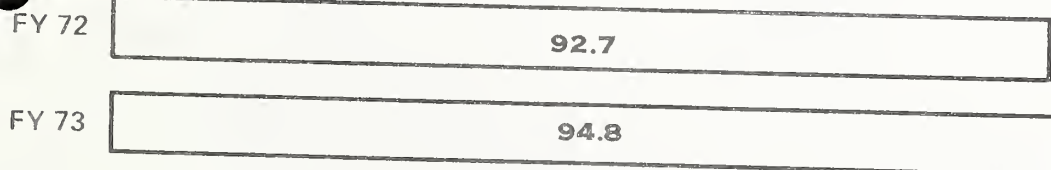
CHILD CARE CENTERS



UP 1.2%

TOTAL FEDERAL COST

(MILLIONS OF DOLLARS)



up 2.3%

(c) Food Stamp Program

Appropriation Act, 1974	\$2,500,000,000
Budget Estimate, 1975	<u>3,990,000,000</u>
Increase in Appropriation	1,490,000,000

Adjustments in 1974:

Appropriation Act, 1974	\$2,500,000,000 <u>a/</u>
Transfer to General Services Administration for rental of space	<u>-99,000</u>

Adjusted base for 1975	2,499,901,000
Budget Estimate, 1975	<u>3,990,000,000</u>
Increase over adjusted 1974	<u>1,490,099,000</u>

a/ Excludes a proposed supplemental in 1974 of \$500 million.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

	1974	Increase or Decrease	1975 Estimate
Program costs	\$2,468,471,000	\$+1,481,948,000	\$3,950,419,000
Operating expenses:			
GSA space rental cost	---	+ 1,698,000	1,698,000
Annualization of the pay cost increase effective in FY 1974	795,000	+ 435,000	1,230,000
All other	26,101,000	+ 5,471,000	31,572,000
Transfer to Office of Inspector General for audit work	4,534,000	+ 547,000	5,081,000
Total available	<u>2,499,901,000</u>	<u>+1,490,099,000</u>	<u>3,990,000,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1973	1974 (estimated)	Increase or Decrease	1975 (estimated)
1. Program costs	\$2,472,285,319	b/: \$2,468,471,000	\$+1,481,948,000(1)	\$3,950,419,000
2. Operating expenses	23,368,256	26,896,000	+7,604,000(2)	34,500,000
Transfer to Office of Inspector:				
General	4,250,000	4,534,000	+ 547,000(3)	5,081,000
Total available or estimate ...	<u>2,499,903,575</u>	<u>2,499,901,000</u>	<u>+1,490,099,000</u>	<u>3,990,000,000</u>
Transfer to GSA	+96,425		+99,000	
Total, appropriation	<u>2,500,000,000</u>	<u>2,500,000,000</u>		

b/ Includes \$278,514,205 posted as obligated but undelivered pursuant to Court Action in U.S. District Court, District of Minnesota, Fourth Division, No. 4-73 Civil 258.

EXPLANATION OF PROGRAM

The Food Stamp Program helps persons and families with low incomes to obtain a nutritionally adequate diet through regular retail channels. Participants purchase more and better food with stamps they receive than they could by using their own resources. The value of the food stamps exceeds that of the cash paid by participants by an amount needed to make up the difference between what a household should spend on food (based on the Agriculture Research Service's Economy Food Plan) and what it is able to spend, considering its other expenses, income and financial resources. Food stamps are made available so that no household need spend more than 30 percent of its income, after adjustments, on food to maintain an adequate diet.

Bonus food stamps are the difference between the cash payment of participants and the face value of the stamps received. Very low or no-income households receive free food stamps. The free and bonus food stamps are financed completely by Federal funds and represent that portion of a family's food budget sustained by the Food Stamp Program. Food Stamp projects are established in counties and other jurisdictions at the request of State social service agencies, which assume responsibility for certifying eligible households and for issuing the stamps through suitable outlets. The Food and Nutrition Service determines various household stamp allotments and purchase requirements. Semi-annual adjustments are made to reflect changes in the cost of living.

Authorized grocery stores accept the stamps as payment for food purchases, and forward them to commercial banks for cash or credit at full face value. The stamps flow upward through the banking system to a Federal Reserve Bank for redemption out of a special account maintained by the U.S. Treasury Department. This special account is constituted of, and replenished by, cash paid by participants for food stamps and the Federal contribution covering the cost of bonus and free food stamps.

In addition to Federal operating expenses, other program costs borne by the Federal government include:

- (a) the printing and transporting of coupons to authorized State agencies;
- (b) destruction of redeemed coupons by Federal Reserve Banks;
- (c) a portion of the State welfare agencies' cost of certifying nonpublic assistance households and of the State's cost of providing outreach and educational programs and fair hearings; and
- (d) a portion of the cost of employment registration and counseling carried out by State employment offices and the Department of Labor.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$1,481,948,000 for program costs.

The 1975 budget contained a proposed supplemental appropriation for FY 1974 which would offset \$498,500,000 of this increase. The remaining requested increase of \$983,048,000 will provide:

- (a) An increase of \$283,000,000 to provide for full year cost of participation growth estimated to take place in fiscal year 1974. Currently, participation is expected to reach 14.2 million by June 1974, an increase of 1.1 million over the June 1973 level.
- (b) An increase of \$207,000,000 to provide for expansion into new projects. The entry of 142 new projects around the beginning of fiscal year 1975 and the phased entry of 85 projects in Puerto Rico will place the program on a nationwide basis as mandated by P.L. 93-86.
- (c) An increase of \$453,000,000 to cover for a full year higher bonus cost made necessary by the cost-of-living adjustment in the monthly coupon allotment. For example, the allotment for a family of four increased from \$116 to \$142, effective January 1, 1974.
- (d) An increase of \$40,048,000 to provide for the increased cost of such nonbonus items as: State certification and outreach, printing and production, shipment of coupons, and employment registration.

(2) An increase of \$7,604,000 for Federal operating expenses consisting of:

GSA Space rental costs	\$1,698,000
Annualization of pay cost	
increase effective in	
fiscal year 1974	+435,000
Annualization of cost of	
administering 3,014 projects	
in operation June 30, 1974	
and expansion of the program	
to 3,156 projects by	
June 30, 1975	.. +5,471,000

The 1975 budget contains a proposed supplemental appropriation for FY 1974 which would offset \$1,500,000 of this increase.

The amount requested will provide \$5,471,000 for annualizing the cost of administering 787 food stamp projects opened in fiscal year 1974 and for the partial year cost of opening 142 new projects in fiscal year 1975. Field office staffing for the project areas is based on an organization study commissioned in part to determine the most effective utilization of manpower for a nationwide Food Stamp Program. In addition, the amount requested will provide for other increased costs due to program expansion, namely, handling the increased number of audits, certification and issuance reviews, retailer-wholesaler compliance actions, quality control and financial accountability activities in the Washington headquarters and the Regional Offices.

- (3) An increase of \$547,000 for transfer to Office of Inspector General for audit work. (See justification of increase under Office of Inspector General.)

STATUS OF PROGRAM

There was an increase in fiscal year 1973 in the Food Stamp Program activity and workload resulting from:

- (1) The workload associated with 2,227 operating areas in June 1973, as compared to 2,126 operating areas in June 1972. Also, participation totaled 12.2 million persons by the end of FY 1973, up from 11.6 million at the end of FY 1972; and
- (2) Issuance of emergency food stamps to victims of disaster areas, particularly those areas struck by hurricanes and floods. Although Hurricane Agnes occurred in FY 1972, FY 1973 funds were utilized to aid those persons affected by this disaster. Victims of the floods out West and in the Mississippi River Basin were also helped through the issuance of emergency food stamps.

Increased Geographic Coverage

At the close of fiscal year 1973, there were just six counties out of 3,129 which did not have a food assistance program. A total of 2,227 areas were operating in the District of Columbia and in 48 States as of June 30, 1973, under the Food Stamp Program. Oklahoma, which had been one of the few remaining States without a Food Stamp Program, began operations in FY 1973. All States will be included in the Nationwide program by the end of 1975, as mandated by P.L. 93-86.

Disaster Situations

Emergency food stamp procedures for relief in disaster situations were invoked in 143 food stamp project areas in 13 different States. In these areas--from Hurricane Agnes in the northeastern United States in the summer of 1972 through the flooding out West to the recent flooding in the Mississippi River Basin--about \$13.5 million in free food stamps were issued to about 189,000 households of about 652,000 people. After termination of the emergency program, numerous disaster victims in the affected project areas continued to participate in the regular Food Stamp Program. In addition, food stamps were issued to many other households subjected to less severe disasters through normal program procedures. Exhibit A attached shows a breakdown of disaster issuance during FY 1973.

Even with the large issuance of coupons under disaster procedures, FY 1973 saw a change in emphasis away from emergency certifications to certifying households affected by disasters under normal program procedures. In areas where the disaster situation, such as extensive flooding, is such that households cannot hope to return to work for several months, certification periods under the normal program procedures can be adjusted to conform to the period where little or no income is expected. Under the emergency procedures, a household can only be certified on a monthly or less basis.

Coupon Allotments

In accordance with the Food Stamp Act, the coupon allotments were adjusted to reflect changes in the price of food published by the Bureau of Labor Statistics. Thus, effective July 1, 1972, the coupon allotments were based on the cost of the Economy Food Plan in December 1971, as estimated by the Agriculture Research Service.

Quality Control

In accordance with new regulations which require State agencies to provide for a quality control system (a method of conducting reviews on a sampling basis)

29 States announced implementation of such a system in FY 1973. This makes a total of 45 States which have announced implementation, with three States **waiting** (Virginia, Minnesota and Indiana) until next year.

Quality control in the Food Stamp Program is an administrative system for determining the extent to which households receiving food stamps are eligible; and are certified for the total food stamps to which they are entitled.

The purpose of the system is to hold the incidence of errors in eligibility, encompassing both ineligibility of participating households and erroneous denial of participation to recipients and applicants, below pre-established tolerance limits. This is accomplished by continuous review of Statewide samples of participating households and negative actions; periodic assembly and analysis of household findings to determine incidence and amounts of errors; and action to bring excessive levels of errors within the tolerances established.

Findings of the system are assembled and reported to the Food and Nutrition Service, United States Department of Agriculture, on a semi-annual basis. State agencies must also submit a subsample of completed State quality control household reviews each month. These summaries enable the State and Federal agency to determine the nature and extent of problems in the areas covered, to keep currently informed about changes in levels of error, and to evaluate the effect of policies and other changes in administration.

Variable Purchase

The variable purchase provision permits households to buy less than their full allotment at the time of purchase. This provision has been successfully implemented in 46 States and negotiations are currently underway with the remaining States to achieve 100 percent implementation during the next fiscal year.

Public Assistance Withholding

The Food Stamp Act, as amended in January 1971, required State agencies to implement public assistance withholding (PAW) in all project areas. However, P.L. 92-603 (86 Stat. 1329) approved October 30, 1972, revoked this legislative mandate. Regulations were amended to make this program optional with the States. This caused some States to reconsider implementation of this procedure. However, work is being continued with those States who wish to institute a PAW program. This program has proven to be an efficient low-cost method of collecting the purchase requirements and distributing the food coupons for those States that have adopted it.

Work Registration

Able-bodied adults are required to register for and accept suitable employment, as a condition of program eligibility. Work registration reports have been received for FY 1973 indicating that 1,211,200 persons were registered. Monthly food stamp benefits were reduced or terminated for 97,120 households containing 374,874 persons, equal to a total monthly bonus coupon value of \$6,228,801. Acceptance of employment resulted in reduced benefits for 16,592 households containing 74,677 persons and termination of benefits for 31,009 households containing 110,893 persons. Failure to comply with the work registration requirement resulted in termination of benefits for 49,519 households containing 189,304 persons.

Program Outreach

All State agencies are required by the Food Stamp Act to inform low-income households of the availability and benefits of the Food Stamp Program and to encourage their participation. Outreach and educational efforts are being carried out cooperatively with other Federally funded agencies and organizations, community groups--both public and private--in Food Stamp Program areas. Noteworthy, is Project FIND, a joint effort of several governmental and private organizations

to locate and enroll elderly persons eligible for Federal food assistance programs. This project involved the mailing of a food assistance message to 27 million Social Security and Medicare beneficiaries, and 1.1 million retired civil service annuitants. An additional 1 million railroad retirement board annuitants also received information on food programs. This project alone resulted in the certification of about 166,000 persons for the Food Stamp Program.

Nutrition Education

The Food Stamp Act of 1964 requires that all practicable efforts be made to teach participants of the Food Stamp Program how to use their increased food purchasing power wisely.

Increase public concern of the extent of malnutrition in the United States has paved the way for instituting newer and more effective means of communicating the values of proper nutrition to low-income citizens. Thus, nutrition education is an integral part of the Food Stamp Program. Efforts of State, local and private agencies working with food stamp households have been expanded on a voluntary and cooperative basis.

Extension Service Nutrition Aides are cooperating in our efforts to assist in establishing nationwide nutrition education programs to reach those households in greatest need. Educational materials are distributed monthly and Food and Nutrition Service makes nutrition specialists available to State, local and private agencies upon request.

To evaluate the effects of the campaign; to inform households of the values of proper nutrition, each project area has been surveyed as to the extent of local nutrition education activities. Further, nutrition reports are made regularly through the Regional offices to the Food Stamp Division. These reports are reviewed and evaluated and the most effective activities and materials are shared with the Regions and the State agencies through our bimonthly outreach reports, "Reaching People." A nutritional message which is changed periodically, has been printed on the inside front cover of all food stamp coupon books.

Court Suits

During FY 1973, the Department of Agriculture was involved in numerous court suits which challenged various provisions of the Food Stamp Program.

The most significant of these were the suits which resulted in the suspension of the relatedness and tax dependency provisions. Both of these provisions were included in the January 1971 amendments to the Food Stamp Act as attempts to curb program abuse.

Meals-on-Wheels

This program which provides for the use of food coupons to pay for meals delivered to certain elderly handicapped persons by nonprofit meal delivery services has continued to grow. In FY 1973, 834 nonprofit meal delivery services were authorized to participate in the Food Stamp Program.

Retailer-Wholesaler Activities:

(1) Compliance

Food and Nutrition Service field personnel are continuing their efforts to promote compliance among firms authorized to accept food coupons. Educational visits are made to all authorized firms each year. A firm receives from one to three visits per year. During these visits, FNS personnel review the regulations with the retailers and their employees, search for areas of misunderstanding, and emphasize the importance of strict compliance. In FY 1973, 334,731 educational store visits were made.

The Food and Nutrition Service personnel follow up any indications of noncompliance with the program regulations on the part of authorized firms. Basic indicators of noncompliance are rumors and complaints of violations and excessive redemptions. Food and Nutrition Service personnel must make a special compliance visit to the firm to alert the retailer to the possibility of violations and caution the retailer against violations, upon receipt of a rumor or a complaint of violations at a store or upon determining that redemptions of a firm are excessive. This visit is documented in a letter summarizing the discussion during the visit. In FY 1973, 35,001 compliance visits were made.

If FNS personnel feel that the compliance effort with a particular firm did not have the desired effect, they request that an investigation of the firm be made. The investigation is conducted by the Office of the Inspector General. If the investigation uncovers violations, the firm may be disqualified. In FY 1973, 468 firms were disqualified on the basis of evidence obtained through investigations. Charge letters are issued to retailers whose food coupon redemptions exceed their food sales over a period of time. If the retailer cannot show that his food sales exceed his redemption volume, disqualification action ensues. In FY 1973, 117 firms were disqualified on this basis. The number of disqualifications this fiscal year (585) exceeds last year's total by 199 and is 372 higher than two years ago. Exhibit B attached shows a breakdown of compliance activity for fiscal year 1973. During the fiscal year, there were 171 successful criminal prosecutions under the Food Stamp Act of 1964. Sentences included fines up to \$10,000, periods of probation up to five years, and a two year jail sentence.

(2) Redemption Certificate Automation Program

Authorized retailers are required to use a redemption certificate when presenting food coupons to a bank or wholesaler. This certificate is an input form for the automated system which compiles and analyzes for FNS the redemption information for each store. A majority of the compliance actions taken by the field personnel is initiated on the basis of the redemption information provided by this automation program.

In recent months, an average of 1.14 million redemption certificates having an average total value of \$328 million per month were processed for approximately 180,000 retailers.

(3) Exhibits

Food and Nutrition Service personnel manned the Food Stamp Program Exhibit at the largest exhibiting convention of the retail trade (Super Market Institute) and also at several State conventions.

Civil Rights

Aggressive leadership with respect to the effective enforcement of Title VI of the Civil Rights Act also had an impact on program workload. During the fiscal year, a total of 29 complaints were deemed to be within the purview of Title VI. Of these, 21 were received during the year and eight had been held pending from the previous year. Nine of the complaints were formally investigated by the Office of the Inspector General. Inquiries into 17 were conducted by FNS personnel.

Three complaints were awaiting OIG's decision on handling. At the close of the fiscal year, 14 of the complaints had been closed. Most of the complaints were found to be the result of misunderstandings of the aims and procedures of the program with respect to such things as purchase requirements. Some of the complaints concerned discourteous caseworkers, and the quality of service in issuance offices. In those cases involving misunderstandings, prompt contact with the complainants, coupled with careful explanations of the program and sympathetic handling of their

problems, resulted in expeditious processing of the complaints. Cases involving discourtesy and quality of service were given priority attention by the Regional offices who contacted the State for corrective action. State agency cooperation enabled FNS to remedy and/or (if the quality of service was at issue) to improve the situation about which complaints were received. Division staff have prepared a Public Notification Plan for the Food Stamp Program. The main thrust of this Plan is to advise minority groups that program benefits are available to all eligible households without discrimination. The plan would require State agencies to maintain contact with minority group organizations and include a standard nondiscrimination statement on all State agency publications. Exhibit C attached summarizes the Civil Rights compliance activities for FY 1973.

Security of Cash and Coupons

During the fiscal year, losses caused by the theft of food coupons from local issuing offices again represented only .01 percent of the total value of coupons issued. This amounted to slightly more than 12 cents lost through thefts out of each \$1,000 of coupons issued.

Audits and Investigations

Program expansion has increased the volume of audit and investigation reports processed by the Food Stamp Division. During FY 1973, over 800 audits of State and local agencies and about 150 investigations of recipients suspected of abusing the program were received. This fiscal year saw an increased emphasis placed on program accountability and strengthening controls against abuse of the program.

Efficiencies of Operation

(1) Post Office Contract

In order to establish a uniform national basis for the sale of food coupons by post offices, the U.S. Postal Service and the Department of Agriculture negotiated the terms of a Memorandum of Understanding. The Postal Service submitted this document on March 15, 1973, and on April 4, 1973, the Memorandum of Understanding was signed by the Department. The Postal Service developed a standard Food Stamp Sales Agreement, with a uniformly applied fee of 80 cents per transaction for use as its issuance contract with State agencies. As in all other issuance arrangements, the contracts are between the responsible State agencies and the issuance agent, in this case the Postal Service. The Postal Service has delegated to its Regional Postmaster Generals the authority to enter into contracts with the States in their jurisdiction. Where available, entering into an agreement with the Postal Service gives the State agencies an opportunity to augment present issuance outlets and provide improved service to recipients.

(2) Automatic Coupon Ordering Program

During fiscal year 1973, FNS initiated work on a pilot program to automate armored car shipments of food stamp coupons from their manufacture to 62 project storage locations. These 62 locations were divided into six (6) armored car routes which will receive coupons automatically on a monthly basis, with delivery schedules to begin in August 1973. Most receiving points in this pilot program are located in the Midwest and Southeast Regions. If the pilot phase proves successful, the program will be expanded to all major coupon receiving points in the continental United States.

(3) Food Stamp Accountability System

The participation and cash subsystems and an interim inventory subsystem of the Food Stamp Accountability System became operational in FY 1973. This

system provides data on program participation, cash reconciliation with the Treasury Department and with activity reported by the State agencies and data on coupons shipped by the Bureau of Engraving and Printing and received and issued by State agencies. All three subsystems provide data on FY 1973 during fiscal year 1973 and input for automation of fiscal year 1971 and 1972 cash data and inventory data for fiscal year 1972 was begun in fiscal year 1973.

Combined Food Distribution and Food Stamp Disaster
Relief Programs, by State--FY 1973

EXHIBIT A

State	Number Persons Assisted			Dollars Expended		
	Food Stamp	Food Distribution	Total	Food Stamp	Food Distribution	Total
Alabama	---	3,274	3,274	---	22,722	22,722
Arizona	9,411	936	10,347	125,452	5,047	130,499
Arkansas	8,658	30,310	38,968	231,273	348	231,621
California	1,134	225	1,359	20,045	144	20,189
Florida	---	100	100	---	8	8
Georgia	---	1,708	1,708	---	8,932	8,932
Illinois	---	107,000	107,000	---	10,675	10,675
Kentucky	---	150	150	---	602	602
Louisiana	41,401	578	41,979	1,153,576	2,870	1,156,446
Maine	---	387	387	---	2,749	2,749
Maryland	4,810	---	4,810	101,146	---	101,146
Michigan	---	1,000	1,000	---	7,257	7,257
Mississippi	33,920	18,410	52,330	935,411	12,382	947,793
Missouri	66	114,612	114,678	1,860	175,491	177,351
New Jersey	---	3,100	3,100	---	2,423	2,423
New Mexico	146	800	946	4,432	361	4,793
New York	106,402	100	106,502	2,916,454	26	2,916,480
Ohio	415	15,159	15,574	11,604	19,616	31,220
Oklahoma	---	1,900	1,900	---	1,111	1,111
Pennsylvania	436,280	---	436,280	6,811,719	---	6,811,719
South Carolina	---	11,633	11,633	---	14,119	14,119
South Dakota	6,969	---	6,969	199,188	---	199,188
Tennessee	---	1,500	1,500	---	306	306
Texas	---	6,697	6,697	---	2,386	2,386
Virginia	3,769	1,175	4,944	58,816	588	59,404
West Virginia	9,287	150	9,437	253,966	2,137	256,103
TOTAL	662,668	320,904	983,572	12,824,942	292,300	13,117,242

Benefits are dependent upon the nature of the disaster.

FOOD STAMP PROGRAM

EXHIBIT B

RETAILER-WHOLESALE ACTIVITY		Fiscal Year 1973
1. Food Concerns:		
Wholesale	.....	2,590
Retail	.....	177,705 <u>1/</u>
Total	.....	180,295 <u>1/</u>
2. Compliance Activities		
a. Supervisory Visits	.....	334,731
b. Special Compliance Reports	.....	17,639
(1) Confirming Letters	.....	8,639
(2) OIG investigations requested	.....	2,150
c. Action on OIG Investigative Reports:		
(1) OIG reports pending action from prior year	.....	824
(2) OIG reports received	.....	2,116
(3) Negative closings	.....	961
(4) Actions less than disqualification	.....	522
(5) Disqualifications	.....	582 <u>2/</u>
(a) Administrative reviews		
Pending from prior year	.....	116
Requested	.....	255
Sustained or lowered	.....	230
Withdrawn	.....	2
Pending at end of year	.....	139
(b) Judicial reviews		
Pending from prior year	.....	28
Requested	.....	33
Lowered	.....	2
Dismissed	.....	8
Sustained	.....	10
Pending at end of year	.....	41
(6) OIG reports pending action at end of year	.....	989
(7) Referred to Department of Justice	.....	818

1/ Includes are 834 Nonprofit Meal Delivery Services.

2/ Included are 117 disqualifications based on redemptions exceeding food sales. These did not involve OIG investigations.

EXHIBIT C

CIVIL RIGHTS COMPLIANCE ACTIVITIES

<u>Activity</u>	<u>FY 1973</u>
a. Complaints received	
(1) During the fiscal year	21
(2) Held pending from previous year	8
b. Complaints investigated	
(1) By OIG	9
(2) By FNS	17
(3) Pending OIG decision on handling complaints	3
c. Disposition of complaints at close of fiscal year	
(1) Awaiting OIG decision	3
(2) Complaints closed	14
(3) Complaints referred for other action	0
(4) Evaluating results of investigations and/or preparing closing correspondence	12

Food Stamp Program
Fiscal Year 1973 *

State/Region	Areas in Opera- tion	June 1973 Participation		Value of Coupons, FY 1973		Bonus of Total %	June 1973 Average Bonus Per Person \$
		Assistance	Total	Bonus Coupons	Total		
		No. Persons	No. Persons	\$	\$		
Alabama-----	25	77,935	209,307	42,168,178	63,666,145	66	17.31
Alaska-----	1	4,636	21,004	7,399,879	9,267,981	79	26.64
Arizona-----	14	31,360	77,964	13,358,264	21,199,411	63	15.79
Arkansas-----	75	78,467	226,932	45,106,261	71,255,616	62	16.83
California-----	40	1,032,795	1,313,128	210,392,446	429,749,256	49	13.26
Colorado-----	55	67,501	118,059	22,698,638	38,470,787	60	16.05
Connecticut-----	8	87,495	131,747	18,251,001	41,658,004	43	11.62
District of Columbia--	1	81,453	104,232	19,772,887	36,357,881	49	13.67
Florida-----	67	239,394	503,333	114,013,515	165,608,585	67	18.19
Georgia-----	133	161,180	313,753	55,898,097	95,695,764	57	14.77
Hawaii-----	4	39,180	52,657	10,743,544	21,404,370	51	18.91
Idaho-----	20	9,116	14,598	2,367,106	4,244,260	57	14.57
Illinois-----	102	724,677	844,769	124,266,386	265,144,081	45	12.81
Indiana-----	37	80,431	144,447	30,071,667	48,739,957	60	15.55
Iowa-----	99	57,148	104,915	21,057,413	35,664,716	58	15.72
Kansas-----	87	16,016	26,896	4,151,989	8,750,439	47	12.85
Kentucky-----	91	112,996	350,426	76,566,137	111,162,716	67	18.16
Louisiana-----	64	246,134	552,314	114,984,906	169,096,151	68	18.04
Maine-----	3	9,460	22,421	3,500,614	6,322,521	55	14.61
Maryland-----	24	187,123	244,048	50,788,674	80,637,759	63	17.70
Massachusetts-----	5	18,733	24,888	2,648,072	6,813,329	39	9.16
Michigan-----	75	414,244	520,742	66,961,592	158,688,784	42	10.30
Minnesota-----	74	71,063	151,587	24,781,722	49,312,910	49	13.05
Mississippi-----	72	119,993	347,246	71,833,094	106,220,993	66	17.08
Missouri-----	12	134,206	187,426	37,512,584	59,510,892	63	17.08
Montana-----	51	13,710	26,724	5,521,422	9,144,767	62	16.56
Nebraska-----	87	27,954	47,275	8,217,470	15,274,152	52	13.25
New Jersey-----	21	248,652	348,675	48,842,431	108,216,936	46	12.37
New Mexico-----	29	53,043	161,649	35,538,375	51,500,318	69	18.32
New York-----	58	1,025,619	1,192,626	136,394,441	404,457,832	33	8.88
North Carolina-----	62	65,586	201,500	40,724,725	64,258,232	62	16.22
North Dakota-----	48	5,424	18,218	3,736,719	6,331,106	57	15.12
Ohio-----	88	487,532	701,129	144,280,947	229,998,603	62	16.74
Oklahoma-----	12	43,551	68,251	7,905,049	13,763,712	57	15.33
Oregon-----	23	55,476	111,966	21,186,468	33,669,304	63	16.87
Pennsylvania-----	67	458,577	649,447	92,890,506	213,240,363	41	10.98
Rhode Island-----	2	54,929	69,806	9,926,779	23,177,268	40	10.45
South Carolina-----	46	92,734	379,589	82,153,203	115,073,666	70	17.69
South Dakota-----	60	11,295	26,482	5,821,637	9,767,175	56	15.24
Tennessee-----	88	120,682	311,452	67,608,422	103,156,934	64	17.30
Texas-----	31	168,716	411,918	80,417,309	115,828,128	68	17.62
Utah-----	8	41,195	55,152	8,252,322	17,118,435	47	12.61
Vermont-----	12	17,002	29,559	3,957,985	8,882,476	44	11.59
Virginia-----	78	82,900	171,021	29,654,648	53,583,170	54	13.71
Washington-----	39	135,663	224,330	47,578,751	82,318,312	57	16.34
West Virginia-----	55	96,203	219,918	45,181,647	71,566,314	59	14.23
Wisconsin-----	50	70,648	107,924	16,581,285	34,448,609	46	12.16
Wyoming-----	23	4,644	10,413	1,760,224	3,081,847	58	14.26
Northeast-----	334	2,368,140	3,208,388	461,809,685	1,054,913,853	43	11.35
Southeast-----	584	990,500	2,616,606	550,965,371	824,843,035	65	17.23
Midwest-----	711	2,083,919	2,837,110	477,883,055	905,533,143	52	13.84
Southwest-----	456	733,680	1,676,112	331,742,862	505,358,042	65	17.25
Western-----	141	1,308,226	1,815,647	313,026,458	601,852,894	52	14.30
U.S. TOTAL-----	2,226	7,484,471	12,153,863	2,135,427,431	3,892,500,967	54	14.45

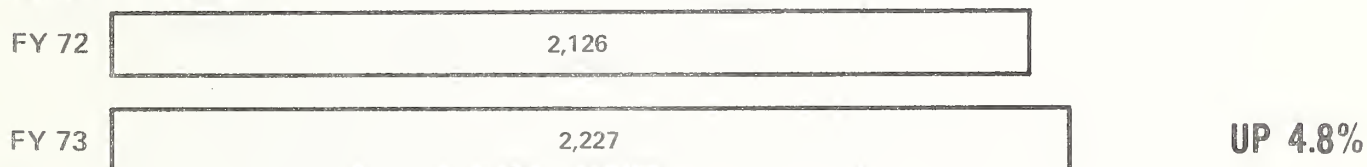
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FOOD STAMP PROGRAM . . .

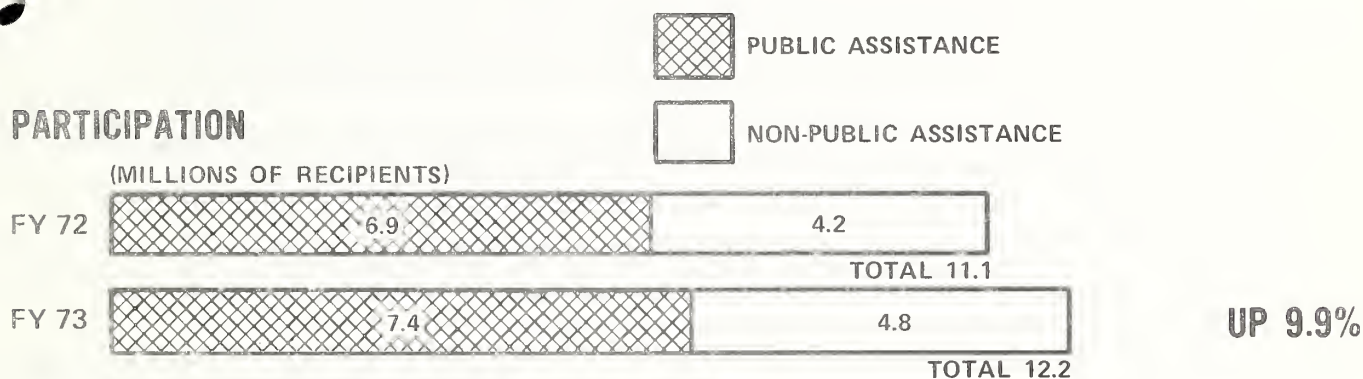
(preliminary)

FY 1973
COMPARED
TO FY 1972

PROJECT AREAS



PARTICIPATION



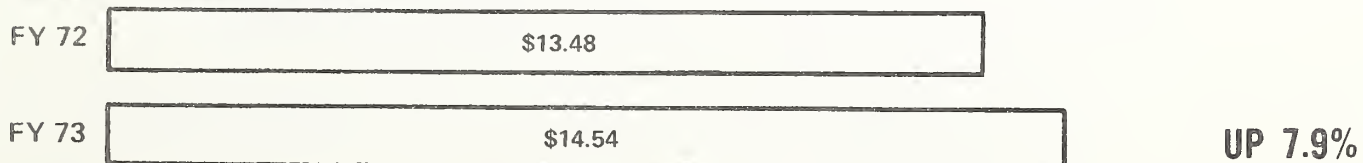
FEDERAL COST OF BONUS STAMP



TOTAL FOOD STAMPS ISSUED



BENEFITS PER PERSON



LANGUAGE CHANGES

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DEPARTMENTAL ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language shown and explained below. New matter is underscored, deleted matter is enclosed in brackets.

DEPARTMENTAL [MANAGEMENT]
ADMINISTRATION

[OFFICE OF THE SECRETARY] DEPARTMENTAL ADMINISTRATION

- 1 For necessary expenses of [the Office of the Secretary of Agriculture] Departmental Administration, including the dissemination of agricultural information and the coordination of informational work and programs authorized by Congress in the Department, and for general administration of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, and not to
2 exceed [\$15,000] \$25,000 for employment under 5 U.S.C. 3109,
3 [\$10,822,000] \$42,751,400 [of which \$3,029,000 shall be available for the Office of Communication and,] of which total appropriation
4 not to exceed [\$612,000] \$722,000 may be used for farmers' bulletins, which shall be adapted to the interests of the people of the different sections of the country, an equal proportion of four-fifths of which shall be available to be delivered to or sent out under the addressed franks furnished by the Senators, Representatives, and Delegates in Congress, as they shall direct (7 U.S.C. 417), and not less than two hundred and thirty-two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (known as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, That this appropriation shall be reimbursed from applicable appropriations for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558: Provided further, That not to exceed \$2,500 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary: Provided further, That in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706 (a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That this appropriation shall be available for the payment of fees or dues for the use of law libraries by attorneys in the field service: Provided further, That, in addition, \$5,081,000 shall be derived by transfer from the appropriation, "Food Stamp Program" and merged with this appropriation.
- 5 [None of the funds provided by this Act shall be used to pay the salaries of any personnel which carries out the provisions of section 610 of the Agricultural Act of 1970, except for research in an amount not to exceed \$3,000,000; projects to be approved by the Secretary as provided by law.]
- 6 [None of the funds provided by this Act shall be used to pay the salaries of personnel who formulate or carry out programs for the 1974 crop year which exceed the limitations provided by section 101 of Public Law 93-86, enacted on August 10, 1973, which provides as follows:

"Sec. 101. Notwithstanding any other provision of law--

"(1) The total amount of payments which a person shall be entitled to receive under one or more of the annual programs established by titles IV, V, and VI of this Act for the 1974 through 1977 crops of the commodities shall not exceed \$20,000.

"(2) The term 'payments' as used in this section shall not include loans or purchases, or any part of any payment which is determined by the Secretary to represent compensation for resource adjustment or public access for recreation.

"(3) If the Secretary determines that the total amount of payments which will be earned by any person under the program in effect for any crop will be reduced under this section, the set-aside acreage for the farm or farms on which such person will be sharing in payments earned under such program shall be reduced to such extent and in such manner as the Secretary determines will be fair and reasonable in relation to the amount of the payment reduction.

"(4) The Secretary shall issue regulations defining the term 'person' and prescribing such rules as he determines necessary to assure a fair and reasonable application of such limitation: Provided, That the provisions of this Act which limit payments to any person shall not be applicable to lands owned by States, political subdivisions, or agencies thereof, so long as such lands are farmed primarily in the direct furtherance of a public function, as determined by the Secretary. The rules for determining whether corporations and their stockholders may be considered as separate persons shall be in accordance with the regulations issued by the Secretary on December 18, 1970."

[OFFICE OF THE INSPECTOR GENERAL]

- 7 [For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$10,000, for employment under 5 U.S.C. 3109, \$14,501,000, and in addition, \$4,250,000 shall be derived by transfer from the appropriation, "Food, Stamp Program" and merged with this appropriation.]

[OFFICE OF THE GENERAL COUNSEL]

- 8 [For necessary expenses, including payment of fees or dues for the use of law libraries by attorneys in the field service, \$6,666,000.]

[OFFICE OF MANAGEMENT SERVICES]

- 9 [For necessary expenses to enable the Office of Management Services to provide management support services to selected agencies and offices of the Department of Agriculture, \$4,147,000.]

Changes numbered 1, 2, 3, 7, 8, and 9 reflect the proposed consolidation of those accounts included in the 1974 Appropriation Act under "Departmental Management". This would reduce the number of accounts and simplify accounting for these funds.

The fourth change, although inadvertently omitted in the printed budget, would increase the limitation on printing and is necessary to allow the use of the \$210,000 increase proposed in the 1975 budget for reprints of farmers bulletins and for the yearbook.

The fifth change deletes the restriction on use of funds in this account for carrying out the provisions of Section 610 of the Agricultural Act of 1970. The 1975 budget proposes the use of \$3 million for this purpose.

The sixth change deletes the restriction on the use of funds in this Act which prevent payments to producers in excess of \$20,000 per person as stated in the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86). The basic legislation is sufficient to ensure that no payment will be made in excess of the \$20,000 limitation.

AGRICULTURAL RESEARCH SERVICE

The 1975 Department estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Agricultural Research Service

For expenses necessary * * * * : Provide further, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250, for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided, the cost of constructing any one building (except
1 headhouses connecting greenhouses) shall not exceed [\$40,000] \$50,000,
2 except for six buildings to be constructed or improved at a cost not to
3 exceed [\$80,000] \$100,000 each, and the cost of altering any one building
during the fiscal year shall not exceed [\$15,000] \$18,000, or [15] 18.6
per centum of the cost of the building, whichever is greater: Provided
further, That the limitations on alterations contained in this Act shall
not apply to a total of \$100,000 for facilities at Beltsville, Maryland:
4 Provided further, That \$6,420,000 of this appropriation shall remain
available until expended for plans, construction and improvement of
facilities without regard to the foregoing limitations: Provided further,
That * * *

The first and second changes would increase the cost limitations of (1) constructing any one building (except headhouses connecting greenhouses) from \$40,000 to \$50,000, and (2) construction or improving six buildings from \$80,000 to \$100,000 each. The change in cost limitations are proposed because of the following reasons:

- a. Increased building costs -- The present cost limitations have remained unchanged since fiscal year 1972 while building materials and labor costs have increased by 16 percent for the past two fiscal years 1972 and 1973. Current escalation costs are approximately one percent per month, or a little less than 10 percent per year. The proposed change in limitations for 1975 reflects increased costs for the past two years and the projected increased costs for 1974 and 1975.
- b. Increased cost due to continued changes in criteria for specialized facilities essential to the research programs -- Research technology continues to undergo extensive changes. Current research projects require highly specialized facilities. Many require a high degree of environmental control to permit precise evaluations, measurements and the ability to duplicate comparative research to assure sound and significant results. When these special conditions are met in a project, the consequent cost of the specialized features of the facility makes it necessary to minimize the total size of the building to a very impractical degree in order to stay within the current cost limitations. It is very difficult each year to meet minimum needs of these specialized buildings. The increases in cost limitation to the amounts requested is a necessity and should be updated periodically.

The third change would increase the cost of altering any one building during the fiscal year from \$15,000 to \$18,000 and from 15 to 18.6 per centum of the cost of the building, whichever is greater. The changes in limitations are proposed because of the following reasons:

- a. Increased building costs -- The present cost limitations have remained unchanged since fiscal year 1972. During the interim building materials and labor costs have increased 16 percent during the past two fiscal years 1972 and 1973. The proposed change in limitations for 1975 reflects increased costs for the past two years and the projected increased costs for 1974 and 1975.
- b. Increase need to update old buildings -- Alterations are made principally to old buildings, of which many were constructed more than 30 years ago. These facilities need to be updated to meet the requirements of the research programs as described under the first and second changes above. Also space demands require making better utilization of existing space which would require alteration and renovation.

Since the original cost of the old building was very low, compared with present construction costs a low limitation related to original costs does not provide adequate funds for alteration costs at current rates. The current limitations unduly restrict needed alterations and hampers research programs.

The fourth change provides funds for major planning and construction of certain facilities, without regard to related limitations in the preamble, and makes the funds available until expended in the event it should be necessary to readvertise for bids or make other changes which would cause a delay in awarding a contract. For an explanation of the facilities proposed see Volume 1, page 26 of these Explanatory Notes.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Animal and Plant Health Inspection Service

- For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c) necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine and regulatory activities; to carry on services related to consumer protection; and to protect the environment, as authorized by law, [\$285,925,000] \$394,769,000 of which \$1,500,000 shall be apportioned for use pursuant to section 3679 of the Revised Statutes, as amended for the control of outbreaks of insects, plant diseases and animal diseases to the extent necessary to meet emergency conditions: and \$62,900,000 shall be for repayment to the Commodity Credit Corporation of Advances (and interest thereon) made in accordance with authorities contained in the provisions of the appropriation items for the Agricultural Research Service in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1972, and for the Animal and Plant Health Inspection Service in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1973:*** That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only [, and for acquisition without cost of not to exceed 67 aircraft to be obtained by transfer]:
- *** That \$9,600,000 shall remain available until expended for plans, construction, and improvement of facilities, without regard to limitations contained herein: Provided further, that this appropriation shall be available for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100:

The first change specifies the amount needed in FY 1975 for repayment to the Commodity Credit Corporation of advances (and interest thereon) made during FY 1972 and FY 1973 to combat Exotic Newcastle and Hog Cholera diseases. (See justification Vol. 1, p. 90 for further information).

The second change deletes the authority granted in the FY 1974 appropriation to obtain not to exceed 67 aircraft by transfer for use in the U.S.-Mexico screwworm eradication program. These planes will be transferred in fiscal year 1974 and the language is no longer necessary.

The third change specifies that portion of the FY 1975 Appropriation which is to remain available until expended for planning and construction of a Phase I Veterinary Biologics facility. (See justification of this facility, Vol. 1, p. 92).

The fourth change provides authority for the agency to acquire land at nominal cost to the Federal Government for the construction of needed facilities. This authority will permit the acquisition of a site for a veterinary biologics facility in Ames, Iowa, for which construction funds are requested in this budget (see third change). With this authorization in the appropriation language, the problem of timing and the possible legal questions which can result from the Agency's not being able to predict when a site will be available will be avoided. This authority is provided to the Department in 7 U.S.C. 428a, but cannot be exercised unless specified in the applicable appropriation or other law.

EXTENSION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Funds

Extension Service

- Payments to States, Puerto Rico, Guam, and the Virgin Islands: For payments for cooperative agricultural extension work under the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), and section 506 of the Act of June 23, 1972, to be distributed under sections 3(b) and 3(c) of the Act, for retirement and employees' compensation costs for extension agents, and for costs of penalty mail for cooperative extension agents and State extension directors, /\$137,717,000/ \$141,719,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, /\$50,560,000/ \$47,360,000; payments for extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326, 328) and Tuskegee Institute under section 3(d) of the Act, /\$6,000,000/ \$6,260,000; payments for rural development work under section 3(d) of the Act, \$1,000,000; payments for the pest management program
- 1 under section 3(d) of the Act, /\$500,000/ \$1,680,000; payments for the farm safety program under section 3(d) of the Act, \$1,020,000; payments and contracts for such work under section 204(b)-205 of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623-1624), \$1,450,000; and payments for extension work under section 109 of the District of Columbia Public Education Act, as added by the Act of June 20, 1968, and amended by the Act of January 5, 1971 (D.C. Code 31-1609), /\$800,000/ \$835,000, and \$1,500,000 for Rural Development Education as authorized under the Rural Development
 - 2 Act of 1972 /(Public Law 92-419)/ (7 U.S.C. 2661-2668); in all, /\$199,527,000/ \$202,824,000: Provided further, That funds hereby appropriated pursuant to section 3(c) of the Act of June 26, 1953, and section 506 of the Act of June 23, 1972, shall not be paid to any State, Puerto Rico, Guam, and the Virgin Islands prior to availability of an equal sum from non-Federal sources for expenditure during the current fiscal year.

- Federal administration and coordination: For administration of the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962 (7 U.S.C. 341-349), and section 506 of the Act of June 23, 1972, and extension aspects of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), the District of Columbia Public Education Act, as added by the Act of June 20, 1968, and amended by the Act of January 5, 1971 (D.C. Code 31-1609), and the Rural Development Act
- 3 of 1972 /(Public Law 92-419)/ (7 U.S.C. 2661-2668) and to coordinate and provide program leadership for the extension work of the Department and the several States and insular possessions, /\$4,546,000/ \$5,239,000. (5 U.S.C. 8147; 39 U.S.C. 3206; Agriculture-Environmental and Consumer Protection Appropriation Act, 1974.)

The first change is proposed to provide funds to conduct extension education programs for farm safety.

The second and third changes will insert the U.S. code reference authorizing Extension education under the Rural Development Act of 1972.

AGRICULTURAL MARKETING SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. Deleted matter is enclosed in brackets.

Marketing Services:

For expenses necessary to carry on services related to consumer protection, agricultural marketing and distribution, and regulatory programs, other than Packers and Stockyards Act, as authorized by law[, and for administration and coordination of payments to States]; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$45,000 for employment under 5 U.S.C. 3109; [\$34,865,000] \$39,915,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed \$7,500 or 7.5 per centum of the cost of the building, whichever is greater.

This change would delete funds provided in the 1974 Appropriation Act for the operating expenses related to administering and coordinating the marketing service work performed under the appropriation, "Payments to States and Possessions," noted below. An explanation of the related appropriation reduction is provided in Volume 2, page 16 of these Explanatory Notes.

[Payments to States and Possessions]:

[For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), \$1,600,000.]

This change would delete funds provided in the 1974 Appropriation Act for assisting States in developing the capability to perform their own agricultural marketing service programs. The program has been in operation since 1948. State marketing appropriations have gradually built up over the years and are currently overmatching Federal appropriations by approximately \$2.3 million to \$1.6 million. Since program benefits accrue primarily to the States, they are expected to continue to develop and execute their own marketing programs. An explanation of the program is provided in Volume 2, page 38 of these Explanatory Notes.

AGRICULTURAL MARKETING SERVICE

The 1975 Budget Estimates include the proposed change in appropriation language listed and explained below. Deleted matter is enclosed in brackets.

Funds for Strengthening Markets, Income, and Supply (Section 32):

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for (1) transfers to the Department of Commerce * * * (4) in addition to other amounts provided in this Act, not more than [\$508,560,000] \$131,400,000 [(including not to exceed \$2,000,000 for State administrative expenses)] for (a) child feeding programs and nutritional programs authorized by law in the School Lunch Act and the Child Nutrition Act, as amended, or which [\$60,600,000] \$89,600,000 shall be available for the nonschool feeding program; and (b) additional direct distribution or other programs, without regard to whether such area is under the food stamp program or a system of direct distribution, to provide, in the immediate vicinity of their place of permanent residence, either directly or through a State or local welfare agency, an adequate diet to other needy children and low-income persons determined by the Secretary of Agriculture to be suffering, through no fault of their own, from general and continued hunger resulting from insufficient food.

This change deletes language related to financing State administrative expenses. In 1975 these expenses will be financed under the Child Nutrition Programs appropriation of the Food and Nutrition Service (See p. 213 of this Volume for a justification of this item.) The 1975 Budget proposes to fund more of these Child Nutrition programs by direct transfer of funds from this account to the Child Nutrition account rather than relying on the authorization provided herein. Recent legislation placing the major portion of the School Lunch programs on a performance basis and doing away with allotment requirements makes this change possible.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored. There are no deletions.

Salaries and Expenses

For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); Sugar Act of 1948, as amended (7 U.S.C. 1101-1161); sections 7 to 15, 16(a), 16(b), 16(d), 16(e), 16(f), 16(i), and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590q); the Agriculture and Consumer Protection Act of 1973 (87 Stat. 221 to 246); subtitles B and C of the Soil Bank Act (7 U.S.C. 1831-1837, 1802-1814, and 1816); the Water Bank Act (16 U.S.C. 1301-1311); and laws pertaining to the Commodity Credit Corporation [\$169,235,000] \$172,867,000: Provided, That, * * * and delegated program functions prescribed in administrative regulations.

The first change provides authority to incur administrative expenses to service the Great Plains Conservation Program. The Soil Conservation Service budget provides funding for the technical assistance connected with the Great Plains program. ASCS will make and service the cost share agreements.

The second change is to permit administration of long-term conservation agreements authorized by the Rural Development Act of 1972 and carried out under the Rural Environmental Program.

The third change is to utilize authorities contained in the Agriculture and Consumer Protection Act of 1973, including extensions of and changes in previously authorized programs administered by ASCS such as the Dairy and Beekeeper Indemnity Program, the Feed Grain, wheat and cotton programs, P. L. 480 and the Rural Environmental Conservation Program.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 Budget Estimates includes new language as follows:

Dairy and Beekeeper Indemnity Programs

For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or milk products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and to beekeepers who through no fault of their own have suffered losses as a result of the use of economic poisons which had been registered and approved for use by the Federal Government, \$1,850,000, to remain available until expended: Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government.

This change provides new language as authorized by the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86) relating to dairy and beekeeper indemnity payments. (See the justifications for this program in Vol. 2, p. 202). The language covers appropriation for indemnification for loss of dairy cows as well as products as authorized in the new act (P. L. 93-86).

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 budget estimates includes the proposed new language.

Rural Environmental Program

For necessary expenses, not otherwise provided for, to carry out programs authorized in section 7 to 15, 16(a), 16(b) and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(b), and 590q); the Water Bank Act (16 U.S.C. 1301-1311); and sections 1001 to 1010 of the Agriculture and Consumer Protection Act of 1973 (87 Stat. 241 to 246) including practices related to soil and water conservation, recreation and wildlife and forestry incentives, including technical assistance and related expenses for forestry incentives, \$118,800,000, to remain available until expended, with which shall be merged the unexpended balances of funds heretofore appropriated for the Water Bank Program, Great Plains Conservation Program, and Emergency Conservation Measures: Provided, That not less than \$10,000,000 of funds appropriated herein shall be available for emergency conservation measures subject to the same conditions as funds appropriated for such purposes in the Third Supplemental Appropriation Act, 1957: Provided further, That this appropriation shall be available only to the extent authorized by law for each program.

This change provides new language for this consolidated program.

The proposed single appropriation to replace the previous separate appropriations for cost share provisions of the REAP, Great Plains Conservation, Water Bank and Emergency Conservation Measures programs would provide more flexibility and improve the administration of the programs.

By merging previous years' balances, both obligated and unobligated and requesting a no-year appropriation (funds to remain available until expended) it is expected that funds could be used to accomplish the program objectives without undue restriction on the timing of obligations and payment or the loss of funds by lapse.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Agricultural Conservation Program (REAP)

For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended (16 U.S.C. 590g-590o, 590p(a), and 590q), including not to exceed \$15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international
1 fairs within the United States, [\$15,000,000] \$90,000,000, to remain available until December 31 of the next succeeding fiscal year for compliance with
2 the programs of soil-building and soil-and water-conserving practices authorized under this head in the [Acts] Act making appropriations for Agriculture-
3 Environmental and Consumer Protection Programs, [1972 and 1973] 1973 and
4-5 1974, carried out during the period July 1, [1971] 1972, to December 31, [1973] 1974, inclusive[: Provided, That none of the funds herein appropriated shall be used to pay the salaries or expenses of any regional information employees or any State information employees, but this shall not preclude the answering of inquiries or supplying of information at the county level to individual farmers: Provided further, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetland Types 3 (III), 4(IV), and 5(V) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That necessary amounts shall be available for administrative expenses in connection with the formulation and administration of the 1974 program of soil-building and soil-and water-conserving practices, including related wildlife conserving practices and pollution abatement practices, under the Act of February 29, 1936, as amended (amounting to \$160,000,000, excluding administration, except that no participant shall receive more than \$2,500, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community): Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program (REAP) in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under the same conditions: Provided further, That for the current year's program \$2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other farming material, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary under programs provided for herein: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities", approved August 2, 1939, as amended, or who has been found in accordance with the provisions of Title 18 U.S.C. 1913, to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in

any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels].

The first change increases the appropriation to \$90,000,000 for liquidation of the 1974 program.

The second change relates the appropriation request to the authorization contained in the 1974 Appropriation Act.

The third and fourth changes update references to years involved.

The fifth change would delete the forward authorization and related provisos. Beginning with program year 1975, cost-share approvals **are requested under** the **Rural Environmental Program**.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 Budget Estimates includes proposed deletion of appropriation language as follows:

Water Bank Program

[For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), \$10,000,000, to remain available until expended.]

The estimates propose the deletion of the above language. **Annual payments will be provided for under the Rural Environmental Program. Technical assistance will be funded directly in the SCS Conservation Operations Account.**

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1975 Budget Estimates include proposed deletion of appropriation language as follows:

Emergency Conservation Measures

[For emergency conservation measures, to be used for the same purposes and subject to the same conditions as funds appropriated under this head in the Third Supplemental Appropriations Act, 1957, to remain available until expended, \$10,000,000, with which shall be merged the unexpended balances of funds heretofore appropriated for emergency conservation measures.]

The estimates propose the deletion of the above language. **Cost-share approvals for emergency measures are proposed for inclusion in the Rural Environmental Program.**

RURAL DEVELOPMENT SERVICE

The 1975 Budget Estimates include the proposed language changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Rural Development Service

- For necessary expenses, not otherwise provided for, of the Rural Development Service in providing leadership, coordination,
- 1 [research,] and related services in carrying out the rural develop-
 - 2 ment activities of the Department of Agriculture, and for carrying
out the responsibilities of the Secretary of Agriculture under
section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461),
[\$2,661,000] \$1,300,000: ***

The first change would delete the economic research function which was transferred to the Economic Research Service.

The second change reflects the transfer of the coordination and liaison functions of the Department's technical services for nonmetropolitan planning districts from the Farmers Home Administration to the Rural Development Service.

RURAL ELECTRIFICATION ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Salaries and expenses:

- 1 For administrative expenses, to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b)), including not to exceed \$500 for financial and credit reports, funds for employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$150,000 for employment under 5 U.S.C. 3109 / \$16,720,000 / \$19,116,000.

This change adds language to provide for carrying out the provisions of the Rural Electrification Act of 1936, as amended, since the programs authorized by the RE Act of 1936 have been moved "off-budget" and now appear in the Annexed Budget; therefore, this language was eliminated from the heading over "Loan Authorizations."

RURAL ELECTRIFICATION ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. Deleted matter is enclosed in brackets.

Rural Electrification Administration

- 1 To carry into effect the provisions of the Rural Electrification Act
of 1936, as amended (7 U.S.C. 901-950(b)) /; Public Law 93-327, as
follows:

Loan Authorizations:

- Insured loans **** shall be made as follows: rural electrification
2 loans, /not less than/ \$618,000,000,
3 /but not more than \$750,000,000/ and rural telephone loans,
4 /not less than/ \$140,000,000, /but not more than \$200,000,000/ ****.

The first change eliminates the citation of Public Law 93-32 in the preamble since the provisions of that law are now included within the codification.

The second, third and fourth changes eliminate indefinite loan authority providing minimum and maximum loan authorizations and restore electric and telephone loans to **prescribed** levels.

RURAL ELECTRIFICATION ADMINISTRATION
RURAL TELEPHONE BANK

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

- 1 /CAPITALIZATION OF RURAL TELEPHONE BANK/
2 RURAL TELEPHONE BANK

For the purchase of Class A stock of the Rural Telephone Bank,
\$30,000,000, to remain available until expended (7 U.S.C. 901-950(b))
3 /as amended by Public Law 93-32/.

- 4 /RURAL TELEPHONE BANK/

The Rural Telephone Bank is hereby authorized to make such
expenditures ~~****~~ as may be necessary in carrying out its authorized
programs for the current fiscal year.

Merged Language

The first, second and fourth changes merge the language for capitalization and operation of the bank into a single new account established in the Treasury. Public Law 93-32 deleted the "Rural Telephone Account" established by Section 301 of Public Law 92-12 and the references in Section 406(a) to net collection proceeds and the rural telephone account in connection with appropriations for the purchase of Class A stock.

Deleted Language

The third change eliminates the citation of Public Law 93-32 in the language since the provisions of that law are now included within the codification.

FARMERS HOME ADMINISTRATION

The 1975 Budget Estimates include the proposed changes in appropriation language listed and explained below. New Language is underscored and deleted matter is enclosed in brackets.

Rural Housing Insurance Fund

For direct loans and related advances pursuant to section 517(m) of the Housing Act of 1949, as amended, \$20,000,000 shall be available from funds in the rural housing insurance fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended,

1. /\$2,144,000,000, of which not less than \$1,200,000,000 shall be available for subsidized interest loans to low-income borrowers as determined
2. by the Secretary/ \$2,122,000,000: *** /: Provided further, That such loans may not be made after September 30, 1973, unless the authorizing legislation is extended/. Hereafter, farmer applicants for direct or insured rural housing loans shall be required to provide only such collateral security as is required of owners of nonfarm tracts.

***.

The first change deletes the restrictive language requiring that a minimum dollar amount of subsidized interest loans be made during the year. The Farmers Home Administration is firmly committed to reaching those most in need of housing in rural areas, and the specification of an arbitrary amount for certain subsidized types of loans may impede the search for less costly solutions to rural housing problems.

The second change deletes the requirement that housing authorities be extended before the funds are made available. It is expected that the necessary authorizing legislation will be enacted prior to action on the Budget.

Payment of Participation Sales Insufficiencies

/For payment to the Government National Mortgage Association, as trustee, such insufficiencies as may be required by the trustee on account of outstanding beneficial interests or participations authorized by Title II, Public Law 90-113, issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717(c)), such sums as may be necessary, to be available without fiscal year limitations./

This change deletes the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

This language is no longer required since the above described 1974 Appropriation Act made such authorization available without fiscal year limitation.

Rural Development Insurance Fund

For an additional amount to reimburse the rural development insurance fund for losses sustained in prior years, but not previously reimbursed in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), \$17,446,000.

***.

The proposed language is for the purpose of reimbursing the Rural Development Insurance Fund for actual losses incurred in prior years. For an explanation of this appropriation see page of this volume.

Rural Water and Waste Disposal Grants

For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), \$150,000,000 to remain available until expended, pursuant to section 306(d) of the above Act, of which \$120,000,000 shall be derived from the unexpended balance of amounts appropriated under this head in the fiscal year 1973, largely to meet the expanding need for areas not now covered.]

This change deletes the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No appropriation is requested in fiscal year 1975 since sufficient funds are available from prior-year appropriations to carry out the \$20 million proposed program for 1975.

1. Rural Development Grants [and Technical Assistance]
2. For grants [and technical assistance authorized by the Rural Development Act of 1972 (Public Law 92-419), in addition to funds otherwise provided
3. for such assistance] pursuant to section 310B(c) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1932), \$10,000,000.

The first and second changes make the fund more general in nature for the purpose of accommodating the three types of grants authorized under the Rural Development Act. The 1974 language provided for technical assistance, but the report specified that the funds were for grants. The 1975 Budget proposes to bring the language in line with 1974 and 1975 proposed programs.

The third change cites the authorizing legislation and the U.S. Code citation for grants to public bodies for measures designed to facilitate development of private business enterprises.

Rural Housing for Domestic Farm Labor

For financial assistance to public nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), \$7,500,000, to remain available until expended: Provided, That this appropriation is not available after September 30, 1973, unless the authorizing legislation is extended.]

This change would delete the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No funds are being requested for fiscal year 1975 since such needs can best be served by other programs.

Mutual and Self-Help Housing

For grants pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), \$4,000,000, to remain available until expended: Provided, That this appropriation shall be available only within the limits of amounts authorized by law for fiscal year 1974.]

This change would delete the language contained in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1974, P.L. 93-135, approved October 24, 1973.

No program is planned for fiscal year 1975, since the grants plus the subsidy cost of the associated loans has resulted in high unit costs to the Government without corresponding benefits to those aided.

Salaries and Expenses

For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the

1. Consolidated Farm and Rural Development Act (7 U.S.C. 1921-~~1991~~, 86 Stat. 657-667/ 1992), as amended; ***, for administering the loan program authorized by title III A of the Economic Opportunity Act of 1964 (Public
2. Law 88-452, approved August 20, 1964), as amended, and for carrying out the responsibilities of the Secretary of Agriculture under sections 235 and 236 of the National Housing Act, as amended (12 U.S.C. 1715z-1715z-1), and section 701 of the Housing Act of 1954, as amended (40 U.S.C. 461), \$129,112,000, ***: Provided, That, in addition, not to exceed \$500,000 of the funds available for various programs administered by this agency may be transferred to this appropriation for temporary field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944
3. (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed \$1,000,000 of this appropriation may be used for employment under 5 U.S.C. 3109: Provided further, That no part of any funds in this paragraph may be used to administer a program which makes rural housing grants pursuant to section 504 of the Housing Act of 1949, as amended.

The first change deletes the Stat. reference in favor of the U.S. code citations.

The second change deletes references to sections 235 and 236 of the National Housing Act and section 701 of the Housing Act of 1954. Farmers Home Administration no longer performs services for the Secretary of Housing and Urban Development under sections 235 and 236. The nonmetropolitan district planning assistance functions performed by FHA in compliance with section 701 of the Housing Act of 1954 will be transferred to the Rural Development Service in fiscal year 1975.

The third change permits the use of this appropriation to employ experts and consultants on a contractual basis to provide the expertise needed to implement the provisions of the Rural Development Act of 1972.

SOIL CONSERVATION SERVICE

The 1975 Budget Estimate includes a proposed language change as follows (new language underscored; deleted matter enclosed in brackets):

[Great Plains Conservation Program]

[For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p), \$18,172,000, to remain available until expended.]

This change in language is for the purpose of discontinuing the Great Plains Conservation Program as a separate program. Long-term conservation cost-sharing will be offered nationwide under the Department's FY 1975 Rural Environmental Program.

FOOD AND NUTRITION SERVICE

The 1975 Budget Estimates include the proposed changes in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Child Nutrition Programs

- For necessary expenses to carry out the provisions of the National School Lunch Act, as amended (42 U.S.C. 1751-1761); Public Law 91-248 and the applicable provisions other than section 3 of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1773-1785); [\$696,918,000] \$1,283,630,000 of which [\$135,306,000] \$641,601,000 shall be derived by transfer from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided, That of the foregoing total amount there shall be
- 1 available [\$237,040,000 for special assistance to needy schoolchildren, \$60,000,000 for the school breakfast program,] [\$22,110,000] \$22,000,000 for the nonfood assistance program, * * * *

This change deletes language providing limitations for the special assistance to needy schoolchildren (free and reduced price lunches) and the school breakfast program as both programs are now operating on a performance basis. Program participation determines the costs, and specific limitations are not necessary.

Food Stamp Program

- For necessary expenses of the food stamp program pursuant to the Food Stamp
- 1 Act of 1964, as amended, [\$2,500,000,000; Provided, That the availability
- 2 of this appropriation is contingent upon the enactment of necessary
- 3 legislative authorization.] \$3,990,000,000; Provided, That funds provided
herein shall remain available until expended in accordance with Section 16
of the Food Stamp Act of 1964, as amended: Provided further, That this
appropriation shall be available for employment pursuant to the second
sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225),
and not to exceed \$100,000 shall be available for employment under 5
U.S.C. 3109.

The first change deletes language making the availability of the appropriation contingent upon extension of Food Stamp authorization beyond fiscal year 1973. P.L. 93-86 extends funding authority through June 30, 1977.

The second change will add language which would make money unexpended during the fiscal year available for expenditure during subsequent years in accordance with Section 16 of the Food Stamp Act of 1964, as amended by P.L. 93-86.

The third change will add language which would permit the use of Food Stamp funds to employ the expertise of private consultants. The authority to hire outside experts and consultants is vital to the achievement of administrative improvements that strengthen enforcement of program regulations. The pilot coupon accountability control project has been initiated in Oklahoma and will be expanded to other States. Financial systems and reporting must be put on an automated basis and kept current. The authority would also provide for meeting unforeseen needs for consultants which may occur in the administration of an increasingly complex nationwide Food Stamp Program.

GENERAL PROVISIONS

Section 501: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1974. New language is underscored and deleted matter is enclosed in brackets.

Sec. 501. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed seven hundred and [twenty-six (726)] sixty-five (765) passenger motor vehicles, of which five hundred and [forty-five(545)]thirty-five (535) shall be for replacement only, and for the hire of such vehicles.

The estimates propose the acquisition of 765 passenger motor vehicles from funds provided in this Appropriation Act. Of the 765 vehicles proposed for acquisition, 535 would be acquired to replace existing vehicles and 230 would be purchased without exchange of passenger motor vehicles.

Of the 230 vehicles to be acquired without exchange of passenger motor vehicles, 5 are for the Foreign Agricultural Service and 225 are for the Soil Conservation Service.

Of the 5 additional vehicles for the Foreign Agricultural Service, 4 would be used to replace truck-type vehicles no longer necessary due to better road conditions at overseas posts. The passenger vehicles will be more economical to operate than the present truck-type vehicles. The fifth vehicle will be assigned to Madrid, Spain and will also be offset by a reduction of one truck vehicle which is no longer required in Athens, Greece.

Of the 225 additional vehicles for the Soil Conservation Service, 200 are to replace light trucks and 25 are needed in connection with the staffing of 25 new Resource Conservation and Development Projects authorized in 1974.

All of the 535 vehicles to be replaced will be at least six years old or will have mileage in excess of 60,000 miles at the time of disposal, with the exception of a limited number which may become damaged beyond economical repair as the result of accidents or operation over unimproved rural roads or under other adverse conditions. More detailed explanation of the need for motor vehicle acquisitions appear in the justifications for the agencies involved.

Section 502: Provides that provisions of law prohibiting or restricting the employment of aliens shall not apply to employment under the appropriation for the Foreign Agricultural Service.

Section 503: Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances therefore as authorized by law (5 U.S.C. 5901-5902).

Section 504: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects or pests.

Section 505: Prohibits the Department from purchasing twine manufactured from commodities or materials produced outside the United States except to provide materials required in or incident to research or experimental work where no suitable domestic product is available.

Section 506: Provides that not less than \$1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

Section 507: Provides that no part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Section 508: Provides that no part of any appropriation in this Act shall be used to make production or other payments to a person, persons, or Corporation harvesting or knowingly permitting to be harvested for illegal use, marihuana or other prohibited drug-producing plants on lands owned or controlled by such persons or Corporations.

Section 509: Provides authority to use appropriations to make advances to heads of field parties. New language is underscored:

Sec. 509. Advances of money from any appropriation for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

Prior to June 6, 1972, authority used by this Department to advance funds to chiefs of field parties was contained in 31 U.S.C. 533. The Department believes that this authority was inadvertently repealed by Congress in P.L. 92-310. As a result, the agencies of the Department are now required to designate imprest fund cashiers to enable them to have cash funds available for paying expenses associated with field party activities such as obtaining plant samples for anti-cancer screening research. In the case of field parties operating overseas, this procedure requires considerable lead time and expense to process paperwork between the agencies, the Treasury Department, American Embassies, and the Agricultural Attaches.

The authority for the advance of funds to chiefs of field parties would be a more economical and practical method for making payments for field party expenses. The flexibility provided by this procedure would facilitate these activities.

